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For the Fiscal 2003 Budget

General Fund Revenue Estimates

A Report Prepared for the
House & Senate Taxation Committees

By the
Legislative Fiscal Division

July 29, 2002



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General Fund Revenue Estimates

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General Fund Revenue Estimates

How to Use This Report

The following report is arranged into seven main revenue sections. Each section contains revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. The six main sections are:

- Business Taxes
- Natural Resource Taxes
- Interest Earnings
- Consumption & Sumptuary
- Property Taxes
- Other General Fund Revenue

The sources are arranged alphabetically within each section.

The report contains profiles of each revenue source estimated by both the executive and LFD staff. Four categories of information are provided for each source. These categories and a short description of each follow:

Revenue Description: A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

Applicable Tax Rate(s): This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

Distribution: This section shows how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is shown for each recipient.

Revenue Projection: This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections and the projected amounts for fiscal year 2003. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1979 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for fiscal year 2003; and 4) the yearly percentage change in general fund.

Purpose of Report

The 57th Legislature has been called into special session to bring the general fund budget into balance as a result of a projected deficit for the 2003 biennium. The purpose of this report is to provide the House and Senate Taxation Committees with a summary of the general fund revenue estimates as projected by the executive and LFD staff.

There are a number of dynamic economic conditions that may change the final outcome of revenue and budget projections for the 2003 biennium. Of primary concern is the uncertainty of individual and corporation income tax collections, which have shown a significant downward trend during the past several months. Since fiscal 2002 closeout was completed on July 26th, the amounts for fiscal 2002 represent the final general fund revenue collections.

Budget Shortfall

Background

For nearly a decade, states have enjoyed a strong state budget picture. Especially in recent years, states underestimated the strength of general fund revenue flows from a robust economy and strong equity markets. States were caught off guard when the national economy went into a recession in late 2001, further aggravated by the unpredictable events of September 11 and a bearish stock market. States with sales taxes and large manufacturing/corporate sectors felt the impact first, while states like Montana, with a high dependence on individual income taxes, did not feel the full impact until early calendar 2002. This mild recession on a national basis has hit states much harder than the more severe recession of the early 1990s, largely due to the increased share of state revenues from capital gains income during an unprecedented period of equity market growth. While states anticipated a slowdown in capital gains revenues, the impact was far more severe than anticipated. Montana's state budget decline has been below the national average, yet there has been a dramatic decline in revenues that did not become fully apparent until the cycle of individual and corporate income tax revenue collections reached its peak in mid-2002.

In November 2001 and in a series of reports since then, this office reported to the Legislature that Montana was experiencing a sharp decline in general fund revenues. On April 18 the Governor's Office formally announced concerns about a budget deficit, and initiated proceedings to implement spending reductions in accordance with 17-7-140, MCA. On June 22, the Governor directed spending reductions of \$23.7 million and at the same time called for a special session of the legislature to deal with a budget deficit that had deteriorated further than the Governor felt could be dealt with under the limited authority of 17-7-140, MCA.

The following discussion provides current projections of the general fund deficit, the differences between 2001 session projections, legislative staff projections, and executive projections, and reasons for the revenue shortfall.

General Fund Deficit

The 57th Legislature adjourned the 2001 session with a 2003 biennium budget that provided for a projected general fund reserve of \$54 million. For the first several months following the 2001 session, state general fund revenues came in even stronger than projected in the revenue estimate resolution for fiscal 2001, and then held steady in early fiscal 2002. In November 2001, the Legislative Fiscal Division reported a significant downturn in general fund revenues and a concern that if the trend continued, the projected ending fund balance would be significantly less than anticipated. The trend continued to worsen, and in early April the LFD reported that a preliminary estimate of the biennium ending general fund balance was \$28 million. This placed the projected balance near the statutory trigger point for implementing spending reductions. In late May, this office and the Office of Budget and Program Planning estimated a negative general fund balance for the 2003 biennium, and the executive began the process of identifying spending reductions. Individual and corporation income tax collections were the primary reason for the need to implement spending reductions. These two sources are now projected to be \$159.2 million below HJR 2 revenue estimations.

Legislative Projection, 2001 Session

As shown in Figure 1 (column 1), the 57th Legislature projected a general fund ending fund balance of \$53.8 million on June 30, 2003, which is a reserve of 2.3 percent of general fund appropriations for the biennium. Those projections assumed an average growth in general fund revenues. The projections assumed a less robust growth pattern than immediate past biennia, but still a consistent growth. Stronger than anticipated revenues at the end of fiscal 2001 signaled an even brighter picture, with an increased fund balance of \$62.2 million, leaving a projected balance on June 30, 2003 of \$116.5 million. However, column 2 of Figure 1 shows the revised LFD projections, reflecting a number of predominantly negative impacts on the general fund balance that have sharply reduced the projected fiscal 2003 ending balance. The projected ending fund balance has declined by \$114.5 million prior to budget reductions, leaving a deficit of \$60.7 million. The Governor directed spending reductions of \$23 million along with voluntary reductions of \$0.7 million, leaving a projected deficit of \$36.9 million prior to any legislative action, using LFD projections.

Figure 1 Comparison of 2003 Biennium General Fund Balance Post-Session Budget vs. July Revised Budget In Millions			
	Post Session 2003 Biennium	Revised July 2003 Biennium	Difference 2003 Biennium
Beginning Fund Balance	\$110.729	\$172.897	\$62.168
Revenues			
Current Law Revenue	2,677.566	2,524.468	(153.098)
Total Funds Available	\$2,788.295	\$2,697.365	(\$90.930)
Disbursements			
General Appropriations	2,274.123	2,274.123	
Statutory Appropriations	92.195	279.906	187.711
Local Assistance Appropriations	326.739		(326.739)
Miscellaneous Appropriations	8.483	160.910	152.427
Non-Budgeted Transfers	31.930	37.522	5.592
Continuing Appropriations		2.611	2.611
Supplemental Appropriations		17.366	17.366
Feed Bill Appropriations	7.028	7.028	
Executive Reductions		(23.400)	(23.400)
Legislative Reductions		(0.350)	(0.350)
Anticipated Reversions	(6.027)	(14.269)	(8.242)
Total Disbursements	\$2,734.471	\$2,741.447	\$6.976
Adjustments		7.134	7.134
Reserved Ending Fund Balance	\$53.824	(\$36.948)	(\$90.772)
Unreserved Ending Fund Balance	\$53.824	(\$36.948)	(\$90.772)
New Information Since Adjournment			
Shell Oil Audit Settlement	12.841		(12.841)
Potential Ending Fund Balance	\$66.665	(\$36.948)	(\$103.613)

Executive Projection

The Executive Budget Plan assumes an ending general fund balance projection of a negative \$21.8 million prior to implementing legislative spending reductions and fund transfers (Figure 2, column 1). The estimates project a significant downturn in individual and corporation income taxes, and investment earnings, in addition to a significant impact of the federal economic stimulus act.

Figure 2 Comparison of 2003 Biennium General Fund Balance Executive Budget vs. LFD Budget In Millions			
	Executive 2003 Biennium	LFD 2003 Biennium	Difference 2003 Biennium
Beginning Fund Balance	\$172.850	\$172.897	\$0.047
Revenues			
Current Law Revenue	2,525.498	2,524.468	(1.030)
Total Funds Available	\$2,698.348	\$2,697.365	(\$0.983)
Disbursements			
General Appropriations	2,272.550	2,274.123	1.573
Statutory Appropriations	278.530	279.906	1.376
Local Assistance Appropriations			
Miscellaneous Appropriations	162.840	160.910	(1.930)
Non-Budgeted Transfers	37.590	37.522	(0.068)
Continuing Appropriations	2.290	2.611	0.321
Supplemental Appropriations	5.580	17.366	11.786
Feed Bill Appropriations	7.200	7.028	(0.172)
Executive Reductions	(23.400)	(23.400)	
Legislative Reductions	(0.350)	(0.350)	
Anticipated Reversions	<u>(15.540)</u>	<u>(14.269)</u>	<u>1.271</u>
Total Disbursements	\$2,727.290	\$2,741.447	\$14.157
Adjustments	7.130	7.134	0.004
Projected Ending Fund Balance	(\$21.812)	(\$36.948)	(\$15.136)

Executive Proposals to Reduce Deficit			
DOR Residual Equity Transfer - June	0.400	0.400	
Eliminate DOT Transfer - June	5.790	5.790	
Executive Proposal - August	<u>15.260</u>	<u>15.260</u>	
Potential Ending Fund Balance	\$29.638	\$14.502	(\$15.136)
Calculated Target Ending Fund Balance	27.162	27.176	0.014
Projected Budget Gap	\$2.476	(\$12.674)	(\$15.150)

The projections leave a shortfall of \$49.0 million from the statutory minimum ending balance required by 17-7-140, MCA, and the executive plan includes spending reductions and budget transfers that would bring the projected balance to \$29.6 million. The executive proposed budget balancers and the target ending fund balance as shown in the bottom box of Figure 2 are discussed in more detail in the "Executive Budget Proposal" report of July 23, 2002 beginning on page 33.

LFD Projection/Differences from Executive Plan

The LFD projected general fund deficit prior to any legislative action in special session is a negative \$36.9 million. This compares to the executive's projection of a negative \$21.8 million. A comparison of the two projections and the difference of \$15.1 million is shown in Figure 2. The differences between the two are highlighted in Figure 3. The "All Other" category in Figure 3 is a net of all other balance sheet categories, and differences are primarily due to different categorization between the two projections.

Revenue Estimates

The difference between the executive and the LFD general fund revenue estimates for the 2003 biennium are \$1.0 million, or only 0.04 percent of total revenues. Total general fund revenues as projected by the LFD are expected to be \$2.5 billion for the 2003 biennium.

In general, both the executive and the LFD independently examined each revenue source in detail. Fiscal 2002 collection trends were reviewed as well as relevant economic conditions.

Figure 4 shows the primary differences between the two estimates. Most of the differences in the other categories are due to different views of current trends and how these trends will influence fiscal 2003.

The following section generally explains why differences exist for each of the categories listed in Figure 4.

Individual Income Tax

The LFD estimate for individual income tax of \$527.9 million is \$3.5 million less than the executive estimate of \$531.4 million. The main reason for the difference is an increase of \$3.4 million to the fiscal 2002 base that is included in the executive estimate.

Both the LFD and the executive assume a 2 percent growth in the overall collections of individual income tax. To derive the growth rate, the LFD uses the 3 percent growth rate experienced from fiscal 2001 to fiscal 2002 for withholding collections. Because wages and salaries represent approximately 65 percent of all income taxed and considering the growth rate of 3 percent, the LFD estimates an overall growth rate of 2 percent. The LFD then applies that growth to the fiscal 2002 base. Implicit in the LFD assumption is that all other non-wage income components remain constant for fiscal 2003. The executive increases the fiscal 2002 base by approximately \$3.4 million for a refund accrual. The executive then applies a 2 percent growth rate to the adjusted base to determine their fiscal 2003 estimate.

Figure 3
Comparison of Major General Fund Differences
Executive Budget vs. LFD Budget
In Millions

2003 Biennium	
Revenue Estimates	(\$1.030)
Supplemental Appropriations	(11.786)
Anticipated Reversions	(1.271)
All Other	(1.049)
Total Difference	(\$15.136)

Figure 4
2003 Biennium Revenue Estimate Differences
Executive vs. LFD

<u>Revenue Category</u>	<u>Millions</u>
Individual Income Tax	3.451
Corporation Income Tax	3.459
Common School Interest and Income	(1.427)
All Other Revenue	(1.200)
Estate Tax	1.487
Oil & Natural Gas Production Tax	1.231
Public Institution Reimbursements	(3.674)
Remaining Categories	• (2.297)
Total Difference	\$1.030

Corporation Income Tax

In fiscal 2003 corporation income tax revenue is expected to continue to come in significantly below the HJR 2 projection. Additionally, there is a difference of \$3.6 million between the corporation income tax projections produced by the executive and the LFD. The executive estimates are \$63.1 million as compared to the LFD estimate of \$59.6 million.

The executive projection is determined with a model that regresses fiscal year collections against U.S. pre-tax corporation profits. The most recent data from Warton Econometrics Service is used in the executive model. The LFD uses a similar model to determine the growth rate estimated for fiscal 2003. The LFD then applies that rate of growth to the adjusted fiscal 2002 base.

Both the executive and LFD projections include a number of adjustments. Among these are an addition for unusual audit payments and a reduction for the bonus depreciation provision included in the Job Creation and Workers Assistance Act of 2002.

Common School Interest and Income

The revenue from school lands is derived from many sources such as agricultural and grazing rentals, timber revenue, oil and gas bonus payments, mineral royalties and miscellaneous revenue. The LFD estimate for fiscal 2003 is \$50.2 million and exceeds the executive estimate of \$48.8 million by \$1.4 million. The reason for the difference is because of small variations in each of the revenue components.

All Other Revenue

Revenue from this source is expected to be 3 percent below the HJR 2 projection for fiscal 2003. The fiscal 2003 difference between the LFD and executive estimates is \$1.2 million, with the estimates at \$21.6 million and \$20.4 million respectively.

The LFD and executive projections are similar for most of the revenue sources contained in the “all other” category. The main reason for the difference in the projection is an estimation of wildfire costs in fiscal 2003 by the LFD. An estimated \$7.3 million general fund expenditure for wildfire costs is included in the LFD balance sheet. Because a portion of the state’s costs is reimbursed and deposited to the general fund, the LFD projection for this revenue source includes \$1.9 million of additional revenue. The executive projection does not include any estimate for wildfire costs in fiscal 2003 or any reimbursement revenue.

Estate Tax

The LFD estate tax estimate for fiscal 2003 is approximately 29 percent below the HJR 2 projection. The LFD projection differs from the executive by \$1.5 million in fiscal 2003. The LFD estimate is \$7.8 million and the executive estimate is \$9.3 million

The LFD used two assumptions in reducing the projections for estate taxes. First, reduced individual wealth was demonstrated by a reduction in fiscal 2002 estate tax collections. Second, revenues will be adversely affected by the federal government’s passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRR).

Both estimates for the 2003 biennium include adjustments for the changes in Montana legislation and the effects of the EGTRR, passed by Congress after the 2001 session. The primary difference between the LFD and executive estimates is the base estimate, from which both sets of adjustments were made. The LFD base was determined with a trend model, while the executive base was produced with a complex regression model.

Estate Tax (in millions)					
	Fiscal Year	Base Estimates	All Other Adjustments*	Federal Estate	Total G.F.
LFD	2003	20.871	(\$12.146)	(0.913)	7.812
Executive	2003	21.975	(\$11.502)	(1.174)	9.299

*Montana legislative impacts, repeal of Montana inheritance tax, and changes in timing of collections.

Oil and Natural Gas Production Tax

Fiscal 2002 general fund collections of oil production tax revenues were higher than fiscal 2001 due to slightly higher production and increased prices. The LFD estimate of oil production tax revenue for fiscal 2003 is \$10.3 million and the executive estimate is \$11.4 million. The difference is mainly due to a difference in projected oil prices. The LFD assumes Montana oil prices will be \$18.91 in calendar 2003. The executive assumes Montana oil prices will be \$19.99 in calendar 2003.

Natural gas production tax estimates differ by only \$0.2 million for fiscal 2003.

Public Institution Reimbursements

There are two reasons for the difference between the LFD and executive estimates for public institution reimbursement revenues. The first difference can be traced to the anticipated revenues from the Montana Development Center (MDC) and the Eastmont Human Services Center. The LFD projects higher revenues from these sources than the executive. Next, the LFD includes \$2.9 million in expected revenues from retroactive payments going back to 1996 for individuals at Montana Developmental Center. The executive estimate does not include an amount for the retroactive payments. Since the DPHHS is experiencing cost overruns, the executive proposes to offset the additional revenue with a proposed supplemental to DPHHS. The projections for the LFD and the executive in fiscal 2003 are \$18.6 million and \$14.9 million respectively.

The LFD relies on information from the Department of Public Health and Human Services (DPHHS) to estimate this source. The executive prepares their own projections using reimbursements and care days for previous years and plans for future care days provided by DPHHS.

Public Institution Reimbursements (in millions)			
	Fiscal Year	MDC and Eastmont	Total G.F.
LFD	2003	12.963	18.606
Executive	2003	11.902	14.932

COMPARISON FIGURES

Figure 5 shows revenue estimate comparisons by source of revenue between the estimates adopted by the Fifty-seventh Legislature and those prepared by LFD staff. As Figure 5 shows, total general fund revenues for the 2003 biennium are expected to be \$153.1 million below the estimates adopted by the Fifty-seventh Legislature.

Figure 6 provides revenue estimate comparisons by source of revenue between the estimates prepared by the executive and LFD staff. As Figure 6 shows, the total difference in the estimates for the 2003 biennium is only \$1.0 million or .04 percent.

**House Joint Resolution 2 Plus Legislation Impacts
57th Legislature vs. LFD General Fund Revenue Estimates**

In Millions

Source of Revenue	Adj. Actual Fiscal 2000	Legislature Fiscal 2001		LFD Actual Fiscal 2002	Legislature Fiscal 2002		Difference Fiscal 2002	LFD Fiscal 2003		Legislature Fiscal 2003		Difference Fiscal 2003	LFD Fiscal 2003		Estimated Fiscal 2003	Estimated Fiscal 2003	Difference Fiscal 2003	Cumulative % of Total
		Actual	Estimated		Estimated	Actual		Estimated	Actual	Estimated	Actual		Estimated	Actual				
1 Individual Income Tax	\$516.262	\$556.015	\$574.995	\$517.568	\$593.138	\$527.919	-\$57.427	\$593.138	\$527.919	\$1,168.133	\$1,045.487	-\$65.219	\$1,168.133	\$1,045.487	-\$122.646			43.80%
2 Property Tax	194.197	180.050	170.971	169.339	176.690	174.297	-1.632	176.690	174.297	347.661	343.636	-4.025	347.661	343.636	-4.025			57.98%
3 Corporation Income Tax	90.683	103.670	81.543	68.173	82.854	59.636	-13.370	82.854	59.636	23.218	164.397	-36.588	23.218	164.397	-36.588			66.15%
4 Vehicle Tax	0.000	0.000	0.000	73.127	77.291	74.224	-4.192	77.291	74.224	154.610	147.351	-7.259	154.610	147.351	-7.259			66.15%
5 Common School Interest and Income	44.296	46.846	48.703	48.938	51.233	50.228	-0.235	51.233	50.228	99.936	99.166	-0.770	99.936	99.166	-0.770			69.84%
6 Insurance Tax & License Fees	39.334	42.298	42.666	47.291	44.050	48.799	4.625	44.050	48.799	86.716	96.090	9.374	86.716	96.090	9.374			73.17%
7 Coal Trust Interest	39.195	37.660	36.401	37.605	36.276	37.640	1.204	36.276	37.640	75.245	75.245	0.000	75.245	75.245	0.000			76.14%
8 US Mineral Royalty	19.243	31.008	21.756	19.772	19.884	20.474	-1.984	20.474	20.474	42.230	40.246	-1.984	42.230	40.246	-1.984			78.58%
9 All Other Revenue	20.488	51.836	32.715	42.439	22.634	21.558	-9.724	22.634	21.558	55.349	63.997	8.648	55.349	63.997	8.648			82.66%
10 Tobacco Settlement	34.804	15.989	18.925	18.647	19.147	18.854	-0.278	19.147	18.854	38.072	37.501	-0.571	38.072	37.501	-0.571			83.92%
11 Telecommunications Excise Tax	6.366	18.838	20.253	19.594	21.113	21.379	0.659	21.113	21.379	41.366	40.973	-0.393	41.366	40.973	-0.393			85.41%
12 Video Gambling Tax	13.851	20.891	41.518	43.666	45.192	45.413	2.148	45.192	45.413	86.710	89.079	2.369	86.710	89.079	2.369			87.05%
13 Treasury Cash Account Interest	16.088	21.532	14.671	13.191	14.102	14.316	0.214	14.102	14.316	27.215	27.507	0.292	27.215	27.507	0.292			88.75%
14 Estate Tax	19.039	20.286	17.118	13.816	10.097	7.812	-3.302	10.097	7.812	27.215	21.628	-5.587	27.215	21.628	-5.587			90.35%
15 Oil & Natural Gas Production Tax	11.363	25.792	12.407	12.902	0.495	11.984	-1.480	11.984	12.588	6.604	25.490	1.099	6.604	25.490	1.099			92.38%
16 Motor Vehicle Fee	11.716	12.534	25.182	27.271	2.089	27.680	2.089	25.692	27.680	50.874	54.951	4.077	50.874	54.951	4.077			93.37%
17 Public Institution Reimbursements	11.345	13.554	12.521	14.283	1.762	18.606	1.762	12.932	18.606	25.453	32.889	7.436	25.453	32.889	7.436			94.43%
18 Coal Severance Tax	9.502	8.663	9.073	8.469	-0.604	8.460	-0.604	9.058	8.460	18.131	16.929	-1.202	18.131	16.929	-1.202			95.12%
19 Liquor Excise & License Tax	7.172	7.343	9.661	9.514	-0.147	10.220	0.706	10.220	9.990	19.881	19.504	-0.377	19.881	19.504	-0.377			95.69%
20 Cigarette Tax	8.464	8.285	8.057	7.887	-0.170	7.889	-0.170	7.889	7.722	15.946	15.609	-0.337	15.946	15.609	-0.337			96.35%
21 Investment License Fee	5.390	5.889	6.580	4.992	1.218	6.178	0.958	6.178	6.800	13.699	10.059	-3.640	13.699	10.059	-3.640			96.81%
22 Lottery Profits	5.841	6.137	6.249	7.467	1.218	5.713	-0.231	5.845	5.713	11.676	11.313	-0.363	11.676	11.313	-0.363			97.29%
23 Liquor Profits	5.900	5.900	5.831	5.600	0.371	5.968	0.371	5.575	5.968	11.122	11.886	0.764	11.122	11.886	0.764			98.20%
24 Nursing Facilities Fee	6.055	5.656	5.547	5.918	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			98.20%
25 Foreign Capital Depository Tax	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			98.20%
26 Electrical Energy Tax	4.829	4.058	4.644	4.197	-0.447	4.664	-0.447	4.664	4.217	9.308	8.414	-0.894	9.308	8.414	-0.894			98.52%
27 Metalliferous Mines Tax	2.703	3.417	4.706	3.329	-1.377	4.553	-1.377	4.553	3.176	9.259	6.505	-2.754	9.259	6.505	-2.754			98.79%
28 Highway Patrol Fines	4.028	3.981	4.191	4.062	-0.129	4.262	0.131	4.262	4.130	8.453	8.192	-0.261	8.453	8.192	-0.261			99.11%
29 Public Contractors Tax	2.162	0.792	2.441	3.267	0.826	2.478	0.826	2.478	2.275	4.919	5.542	0.623	4.919	5.542	0.623			99.17%
30 Wholesale Energy Tax	1.895	3.503	3.568	2.906	-0.662	3.614	-0.662	3.614	3.143	7.182	6.049	-1.133	7.182	6.049	-1.133			99.45%
31 Tobacco Tax	2.017	2.048	2.265	2.183	-0.082	2.400	0.217	2.400	2.319	4.665	4.502	-0.163	4.665	4.502	-0.163			99.61%
32 Driver's License Fee	2.333	1.896	2.178	2.580	0.402	2.194	0.402	2.194	2.592	3.372	5.172	1.800	3.372	5.172	1.800			99.76%
33 Railroad Car Tax	2.101	1.556	1.688	1.490	-0.198	1.718	-0.198	1.718	1.537	3.406	3.027	-0.379	3.406	3.027	-0.379			99.88%
34 Wine Tax	1.017	1.033	1.300	1.232	-0.068	1.357	0.125	1.357	1.265	2.657	2.497	-0.160	2.657	2.497	-0.160			99.96%
35 Beer Tax	0.370	0.385	2.885	2.784	-0.101	3.013	0.228	3.013	2.960	5.898	5.744	-0.154	5.898	5.744	-0.154			99.99%
36 Telephone License Tax	3.491	0.133	0.000	0.212	0.212	0.000	0.000	0.000	0.000	0.000	0.212	0.212	0.000	0.212	0.212			100.00%
37 Long Range Bond Excess	0.101	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			100.00%
Total General Fund	\$1,163.641	\$1,269.472	\$1,330.528	\$1,265.711	-\$64.817	\$1,347.036	-\$86.817	\$1,347.036	\$1,258.757	\$2,677.564	\$2,524.468	-\$153.096	\$2,677.564	\$2,524.468	-\$153.096			100.00%

Figure 5

House Joint Resolution 2 Plus Legislation Impacts LFD vs. Executive General Fund Revenue Estimates

In Millions

Source of Revenue	Adj. Actual Fiscal 2000	Actual Fiscal 2001	LFD Actual Fiscal 2002	Exec Actual Fiscal 2002	LFD Estimated Fiscal 2003	Exec Estimated Fiscal 2003	Difference Fiscal 2003	LFD Estimated Fiscal 02-03	Exec Estimated Fiscal 02-03	Difference Fiscal 02-03	Cumulative % of Total
1 Individual Income Tax	\$516,262	\$556,015	\$517,568	\$517,568	\$527,919	\$531,370	\$3,451	\$1,045,487	\$1,048,938	\$3,451	43.80%
2 Property Tax	194,197	180,050	169,339	169,339	174,297	174,347	0,050	343,636	343,686	0,050	57.98%
3 Corporation Income Tax	90,683	103,670	68,173	68,173	59,636	63,095	3,459	127,809	131,268	3,459	66.15%
4 Vehicle Tax	0,000	0,000	73,127	73,127	74,224	74,224	0,000	147,351	147,351	0,000	66.15%
5 Common School Interest and Income	44,296	46,846	48,938	48,938	50,228	48,801	-1,427	97,739	97,739	-1,427	69.84%
6 Insurance Tax & License Fees	39,334	42,298	47,291	47,291	48,799	47,793	-1,006	96,090	95,084	-1,006	73.17%
7 Coal Trust Interest	39,195	37,660	37,605	37,605	37,640	37,146	-494	75,245	74,751	-494	76.14%
8 US Mineral Royalty	1,243	31,008	19,772	19,772	20,474	20,474	0,000	40,246	40,246	0,000	78.58%
9 All Other Revenue	1,488	15,836	42,439	42,439	21,558	20,358	-1,200	63,997	62,797	-1,200	82.66%
10 Tobacco Settlement	34,804	15,989	18,647	18,647	18,854	18,916	0,062	37,501	37,563	0,062	83.92%
11 Telecommunications Excise Tax	6,366	18,838	19,594	19,594	21,379	21,910	0,531	40,973	41,504	0,531	85.41%
12 Video Gambling Tax	13,851	20,891	43,666	43,666	45,413	45,171	-242	89,079	88,837	-242	87.05%
13 Treasury Cash Account Interest	16,009	21,532	13,191	13,191	14,316	13,449	-867	27,507	26,640	-867	88.75%
14 Estate Tax	19,039	20,286	13,816	13,816	7,812	9,299	1,487	21,628	23,115	1,487	90.35%
15 Oil & Natural Gas Production Tax	11,363	25,792	12,902	12,902	12,588	13,819	1,231	25,490	26,721	1,231	92.38%
16 Motor Vehicle Fee	11,716	12,534	27,271	27,271	27,680	27,680	0,000	54,951	54,951	0,000	93.37%
17 Public Institution Reimbursements	11,345	13,554	14,283	14,283	18,606	14,932	-3,674	32,889	29,215	-3,674	94.43%
18 Coal Severance Tax	9,502	8,663	8,469	8,469	8,460	8,626	0,166	16,929	17,095	0,166	95.12%
19 Liquor Excise & License Tax	7,172	7,343	9,514	9,514	9,990	10,019	0,029	19,504	19,533	0,029	95.69%
20 Cigarette Tax	8,464	8,285	7,887	7,887	7,722	7,765	0,043	15,609	15,652	0,043	96.35%
21 Investment License Fee	5,390	5,889	4,992	4,992	5,067	5,411	0,344	10,059	10,403	0,344	96.81%
22 Lottery Profits	5,841	6,137	7,467	7,467	6,800	6,320	-480	14,267	13,787	-480	97.29%
23 Liquor Profits	5,900	5,900	5,600	5,600	5,713	5,600	-0,113	11,313	11,200	-0,113	97.76%
24 Nursing Facilities Fee	6,055	5,656	5,918	5,918	5,968	5,938	-0,030	11,856	11,856	0,000	98.20%
25 Foreign Capital Depository Tax	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	98.20%
26 Electrical Energy Tax	4,829	4,058	4,197	4,197	4,217	4,197	-0,020	8,414	8,394	-0,020	98.52%
27 Metalliferous Mines Tax	2,703	3,417	3,329	3,329	3,176	3,408	0,232	6,505	6,737	0,232	98.79%
28 Highway Patrol Fines	4,028	3,981	4,062	4,062	4,130	4,087	-0,043	8,192	8,149	-0,043	99.11%
29 Public Contractors Tax	2,162	0,792	3,267	3,267	2,275	1,983	-0,292	5,542	5,250	-0,292	99.17%
30 Wholesale Energy Tax	1,895	3,503	2,906	2,906	3,143	3,332	0,189	6,049	6,238	0,189	99.45%
31 Tobacco Tax	2,017	2,048	2,183	2,183	2,319	2,290	-0,029	4,502	4,473	-0,029	99.61%
32 Driver's License Fee	2,333	1,896	2,580	2,580	2,592	2,323	-0,269	5,172	4,903	-0,269	99.76%
33 Railroad Car Tax	2,101	1,556	1,490	1,490	1,537	1,629	0,092	3,027	3,119	0,092	99.88%
34 Wine Tax	1,017	1,033	1,232	1,232	1,265	1,249	-0,016	2,497	2,481	-0,016	99.96%
35 Beer Tax	0,370	0,385	2,784	2,784	2,960	2,826	-0,134	5,744	5,610	-0,134	99.99%
36 Telephone License Tax	3,491	0,133	0,212	0,212	0,000	0,000	0,000	0,212	0,212	0,000	100.00%
37 Long Range Bond Excess	0,101	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	100.00%
Total General Fund	\$1,163,641	\$1,269,472	\$1,265,711	\$1,265,711	\$1,258,757	\$1,259,787	\$1,030	\$2,524,468	\$2,525,498	\$1,030	100.00%

Figure 6

Business Taxes

Corporation Income Tax

Driver's License Fees

Estate Tax

Individual Income Tax

Insurance Tax & License Fees

Investment License Fees

Motor Vehicle Fees

Public Contractors Tax

Railroad Car Tax

Telecommunications Excise Tax

Telephone License Tax



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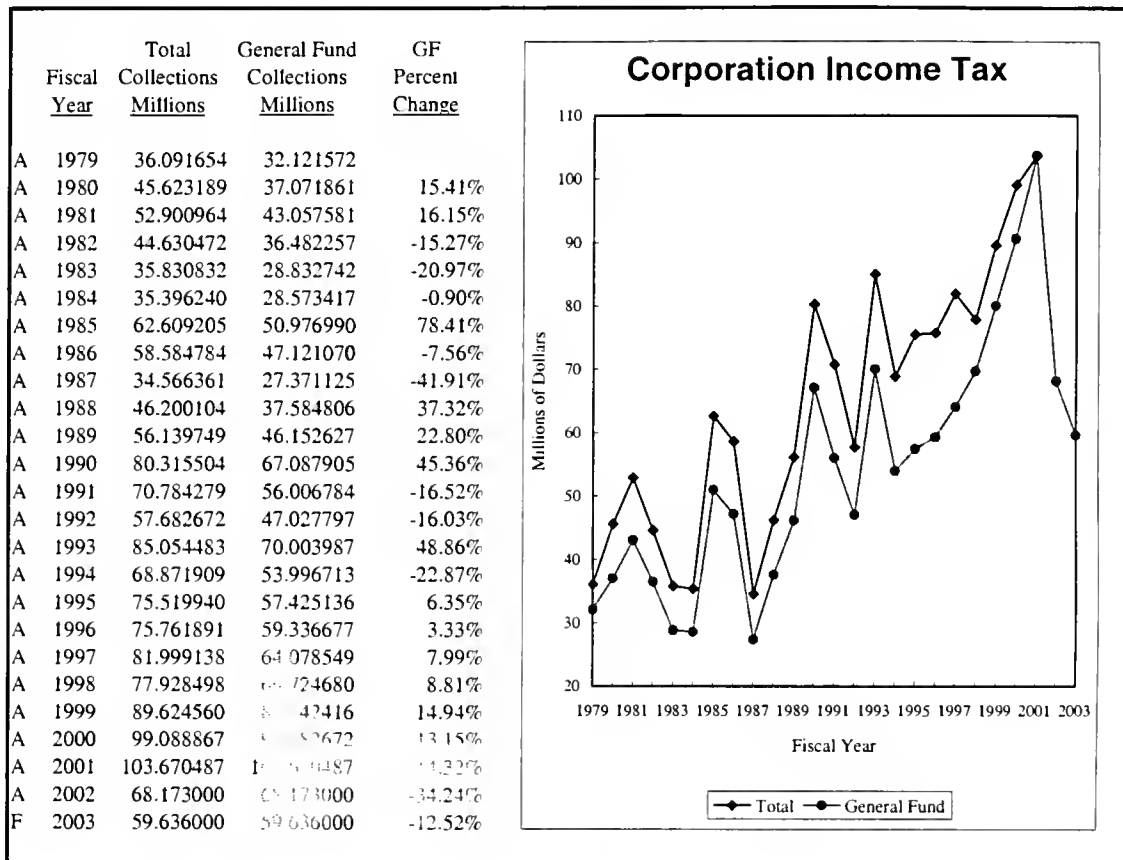
Corporation Income Tax

Revenue Description: The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. The revenue from Montana's corporation license tax is correlated closely with profits from corporations in the rest of the country. Additional factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all forecasts are adjusted for allowable credits.

Applicable Tax Rate(s): The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income.

Distribution: All corporation taxes are distributed to the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$81.543	\$68.173	\$68.173	\$82.854	\$63.095	\$59.636
Difference	-	(13.370)	(13.370)	-	(19.759)	(23.218)

Driver's License Fees

Revenue Description: A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, and duplicate driver's licenses.

Applicable Tax Rate(s): Driver's license fees are:

driver's license, except a commercial driver's license - \$4.00 per year or fraction of a year

motorcycle endorsement - \$0.50 per year or fraction of a year

commercial driver's licenses:

interstate - \$5.00 per year or fraction of a year

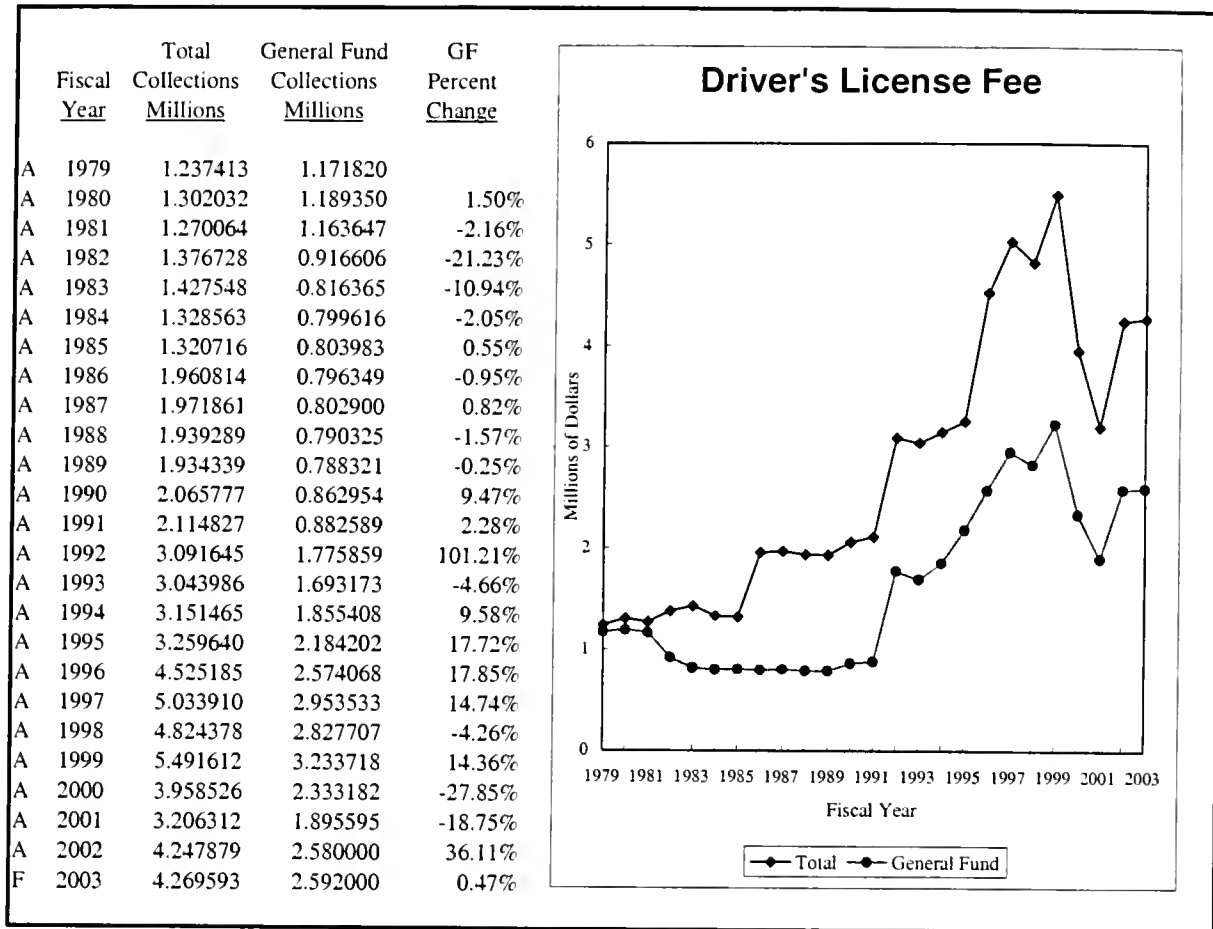
intrastate - \$3.50 per year or fraction of a year

duplicate license - \$5.00

Distribution: The distribution of license fee revenue varies by the type of license. The table below shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees				
Recipient	Driver's License	Duplicate License	Motorcycle Endorsement	Commercial Driver's License
Montana Highway Patrol	16.70%	25.00%	0.00%	0.00%
Counties or DOJ	2.50%	3.75%	3.34%	2.50%
Traffic Education Account	26.25%	8.75%	63.46%	0.00%
General Fund	<u>54.55%</u>	<u>62.50%</u>	<u>33.20%</u>	<u>97.50%</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$2.178	\$2.580	\$2.580	\$2.194	\$2.323	\$2.592
Difference	-	0.402	0.402	-	0.129	0.398

Estate Tax

Revenue Description: An inheritance tax is imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse, child or lineal descendant, stepchild, or governmental or charitable organization. The tax is due 18 months after the death of the decedent. In addition to the inheritance tax an estate tax is imposed on estates transferred to heirs at death. The Montana estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

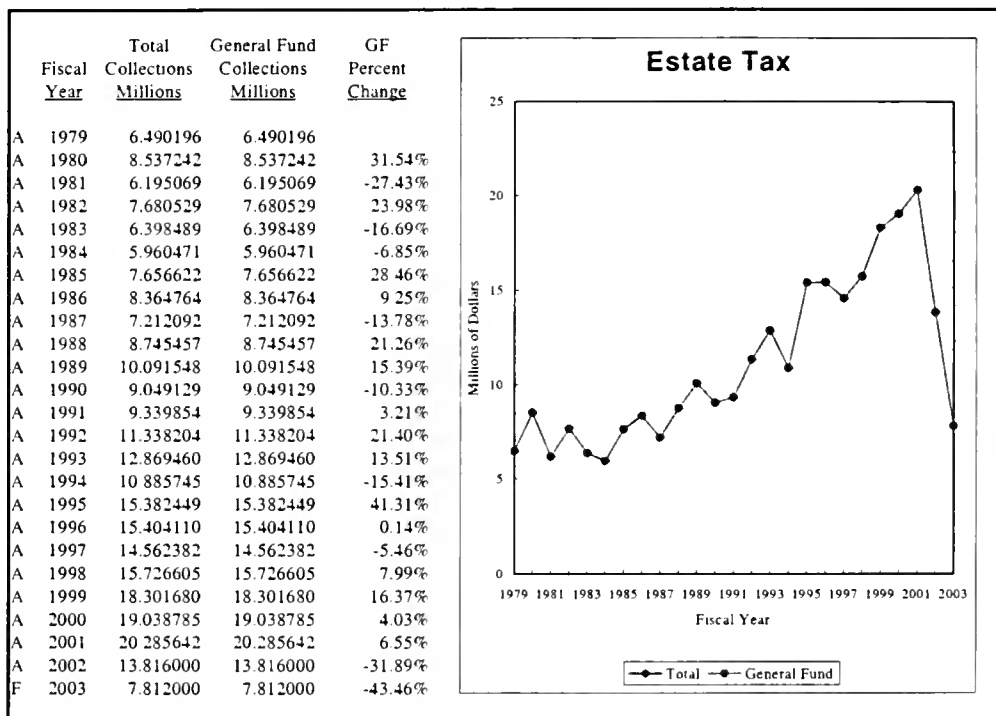
Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. Although the act was effective immediately, it applies to deaths occurring after December 31, 2000. Thus, inheritance tax revenue will continue to produce revenue during the 2003 biennium, but the amount of revenue will decrease each year. The estate tax remains in existence.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, changes in wealth, changes in the death rate of the population, accounting procedures, and the processing of several large estates.

Applicable Tax Rate(s): The estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Distribution: All proceeds are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$17.118	\$13.816	\$13.816	\$10.097	\$9.299	\$7.812
Difference	-	(3.302)	(3.302)	-	(0.798)	(2.285)

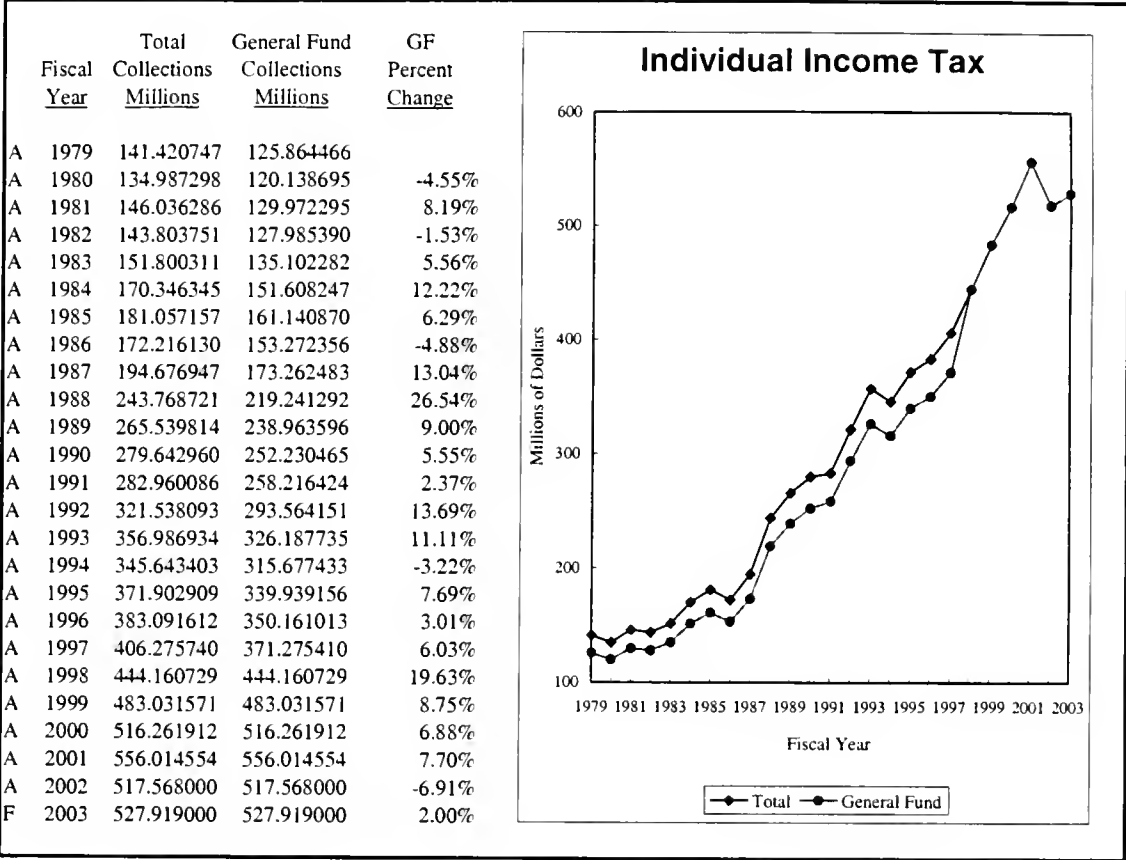
Individual Income Tax

Revenue Description: The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

Applicable Tax Rate(s): Tax rates vary from 2.0% to 11.0%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year.

Distribution: All proceeds are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$574.995	\$517.568	\$517.568	\$593.138	\$531.370	\$527.919
Difference	-	(57.427)	(57.427)	-	(61.768)	(65.219)

Insurance Tax & License Fees

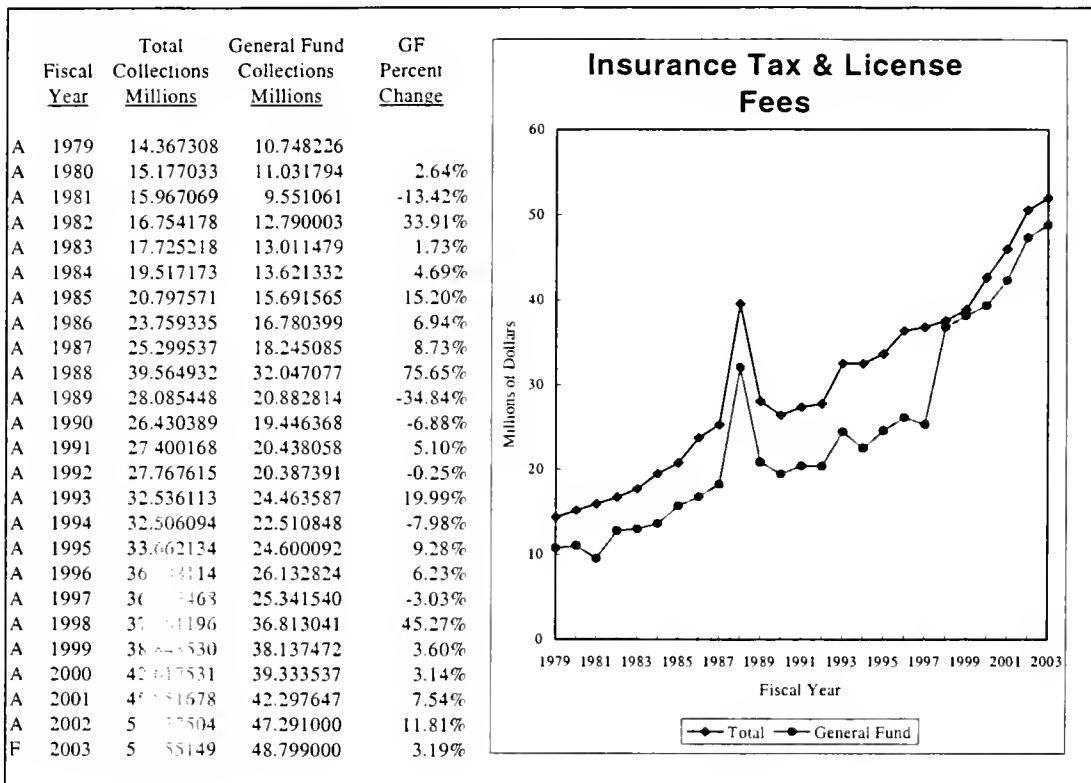
Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are also collected.

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums on policies sold in Montana. In addition, for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$0.70 to the State's Insurance Commissioner. This fee is used to fund the voluntary statewide genetics program established in statute (50-19-211, MCA).

Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of \$1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities.

Distribution: The majority of insurance tax and license fee proceeds are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$42.666	\$47.291	\$47.291	\$44.050	\$47.793	\$48.799
Difference	-	4.625	4.625	-	3.743	4.749

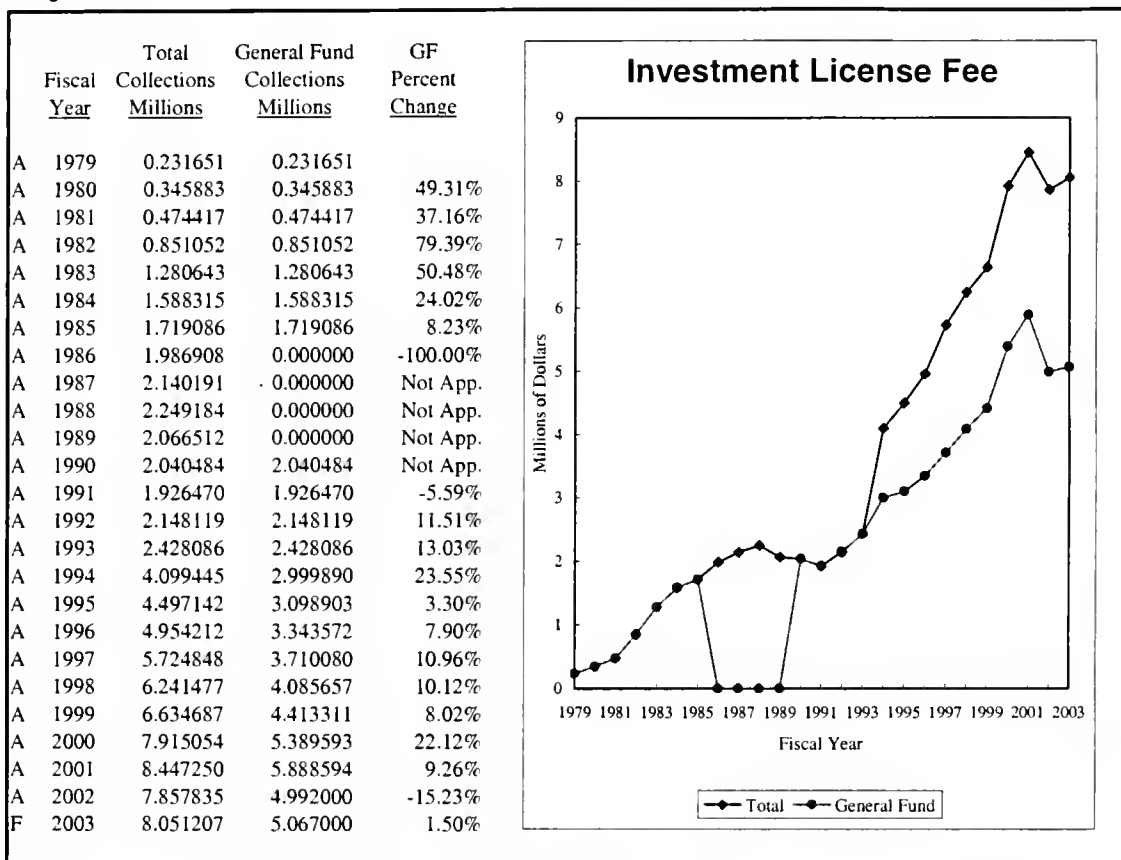
Investment License Fee

Revenue Description: Investment advisors and investment companies pay various fees to the state. These fees are for the registration of securities and agents, for registration of securities by notification, or for notice of a federal filing of a federally secured security.

Applicable Tax Rate(s): Initial and annual security registration fees vary, but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$200. Initial and annual registration fees for a salesperson or investment adviser are \$50.

Distribution: All such fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination chargers are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$6.580	\$4.992	\$4.992	\$7.119	\$5.411	\$5.067
Difference	-	(1.588)	(1.588)	-	(1.708)	(2.052)

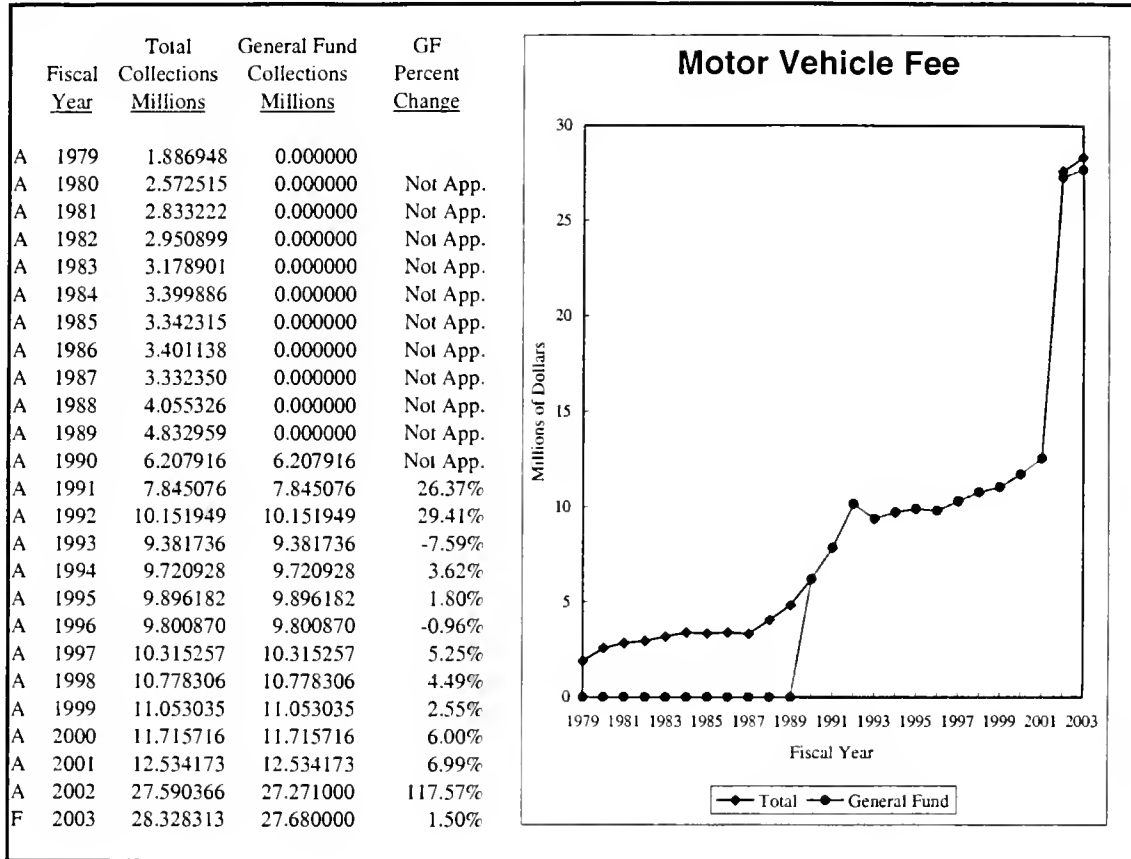
Motor Vehicle Fee

Revenue Description: In accordance with statute, the state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, and title fees. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.). With the enactment of House Bill 124, motor vehicle fees that had been collected and retained by counties are now deposited in the state general fund.

Applicable Tax Rate(s): Various

Distribution: Motor vehicle fees are allocated to the general fund and state special revenue accounts.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$25.182	\$27.271	\$27.271	\$25.692	\$27.680	\$27.680
Difference	-	2.089	2.089	-	1.988	1.988

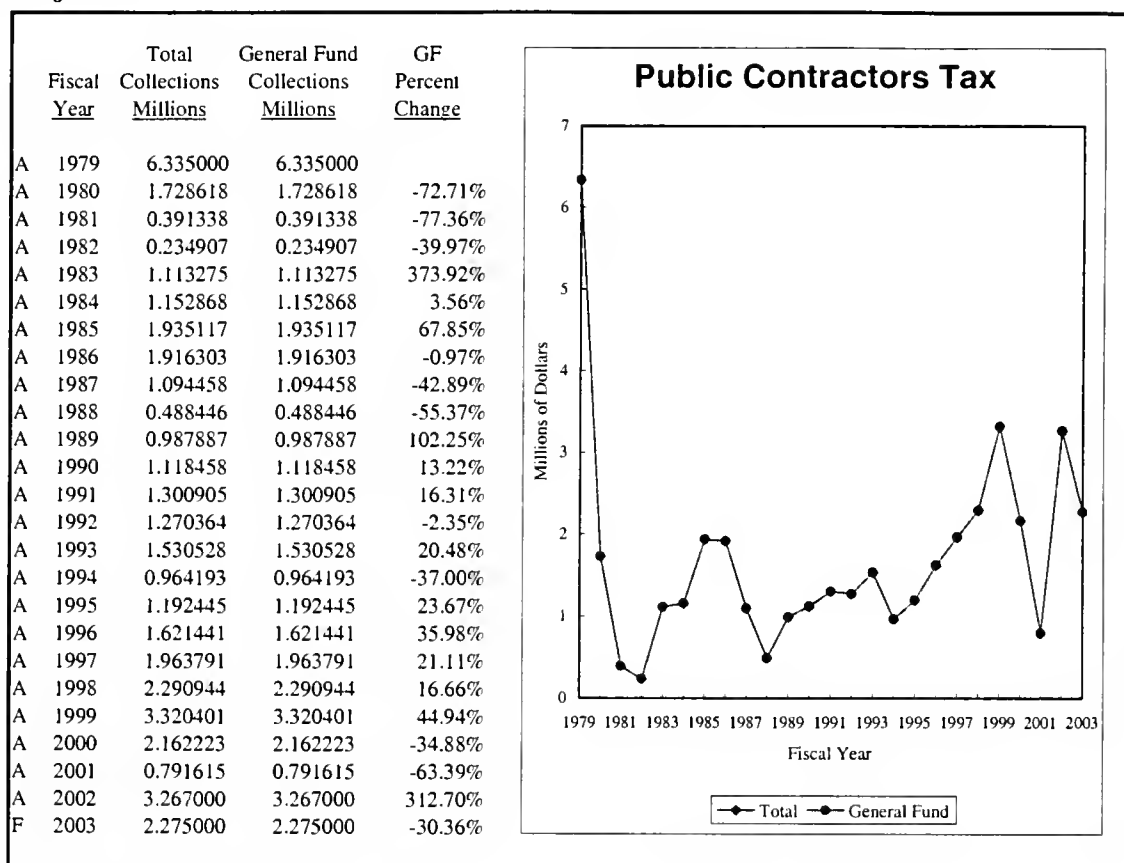
Public Contractors Tax

Revenue Description: Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

Applicable Tax Rate(s): A 1.0 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, a credit (in the form of a refund) against the license fee is allowed for personal property taxes and certain motor vehicle fees paid in Montana on personal property or vehicles used in the business of the contractor. In addition, the amount of the net license fee paid (gross less the property tax refund) may be used as a credit on the contractor's corporate or individual tax return. Overpayments are also refunded.

Distribution: All public contractor tax revenue is deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$2.441	\$3.267	\$3.267	\$2.478	\$1.983	\$2.275
Difference	-	0.826	0.826	-	(0.495)	(0.203)

Railroad Car Tax

Revenue Description: All railroad property is subject to taxation as defined in the Railroad Revitalization and Regulatory Reform Act of 1976. The tax rate for class twelve property is the lesser of 12.0% or the average statutory tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Applicable Tax Rate(s): The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by 95.0 percent of the average statewide mill levy for commercial and industrial property. The most current tax year rates are:

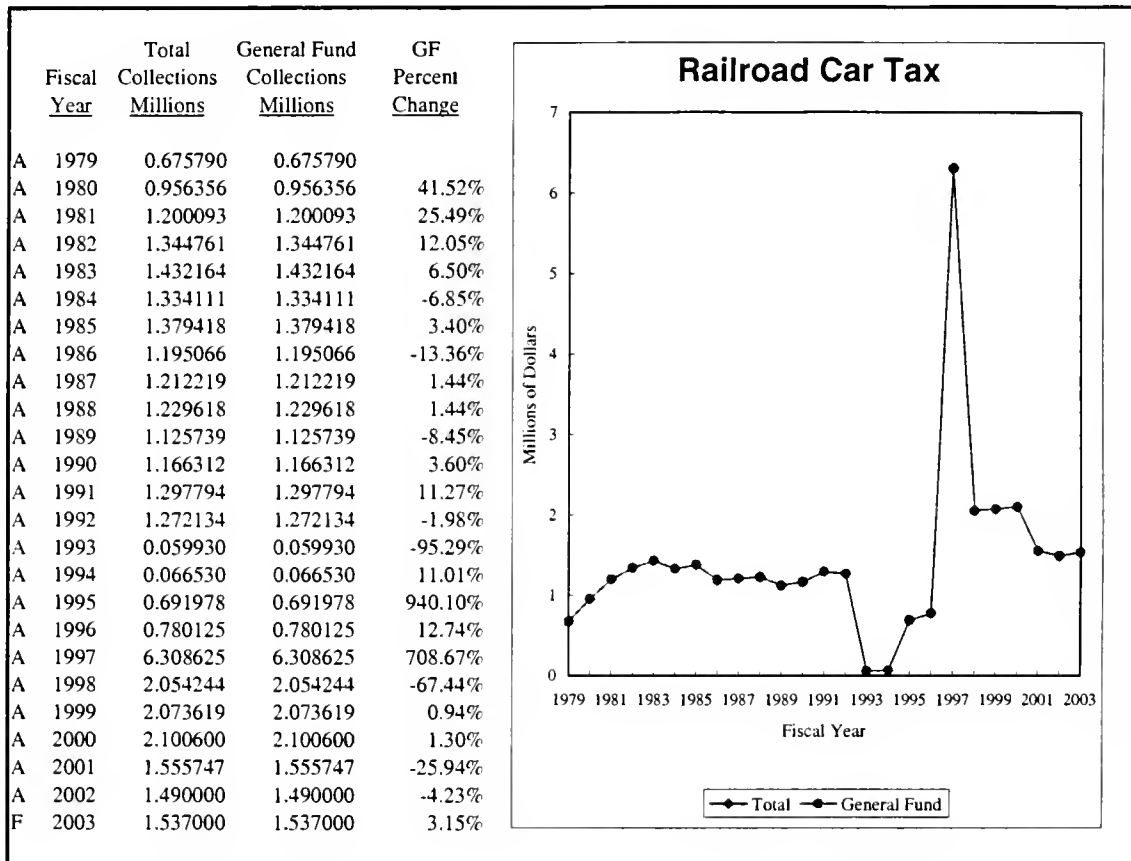
2000 – 4.27%

2001 – 4.16%

2002 – 4.07%

Distribution: All revenue from this tax is deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$1.688	\$1.490	\$1.490	\$1.718	\$1.629	\$1.537
Difference	-	(0.198)	(0.198)	-	(0.089)	(0.181)

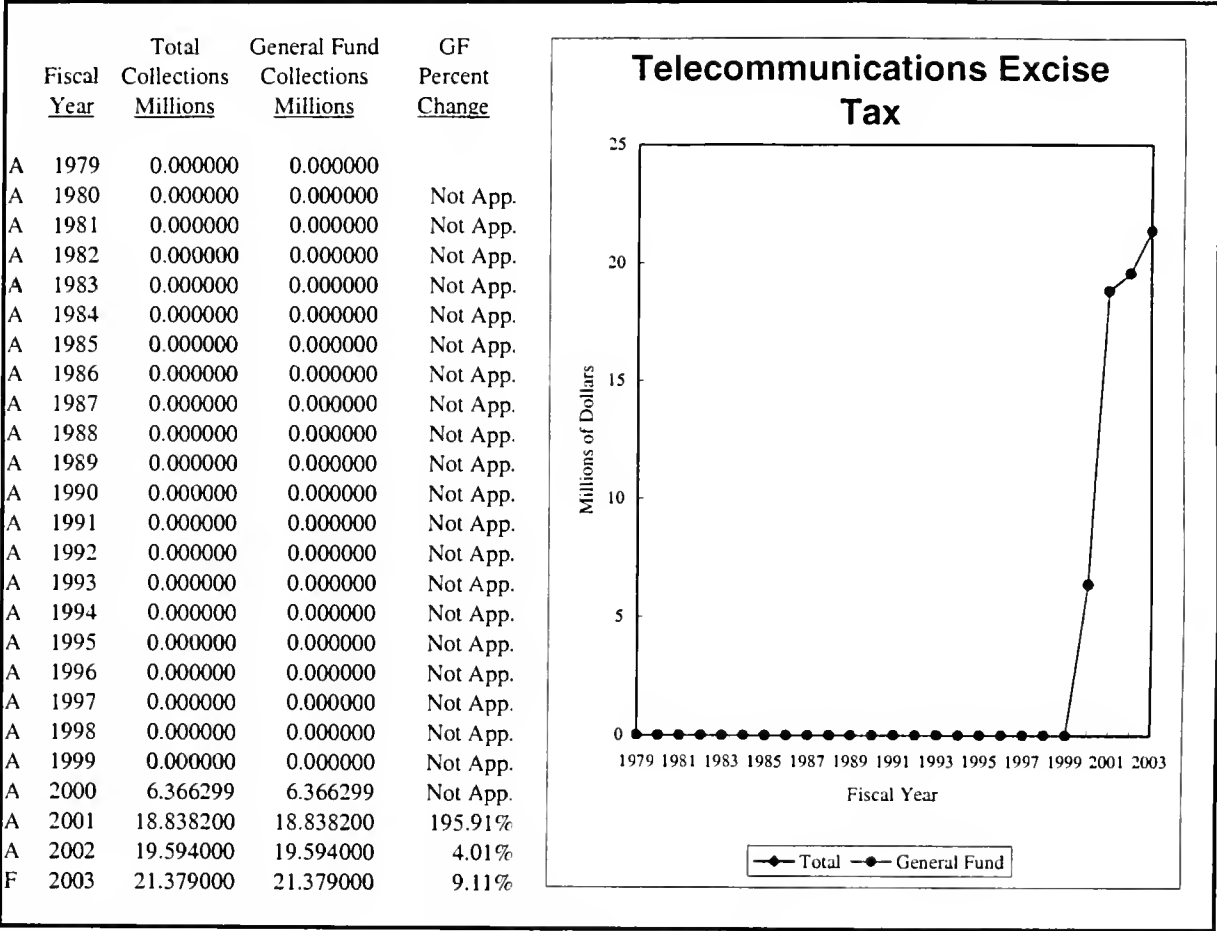
Telecommunications Excise Tax

Revenue Description: The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

Applicable Tax Rate(s): The current tax rate of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. A credit is allowed for 20 percent of the costs of advanced telecommunications infrastructure improvements in the state up to a yearly maximum credit of \$2.0 million for all providers. However, Senate Bill 494 suspended the credits for the 2003 biennium.

Distribution: All proceeds are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$20.253	\$19.594	\$19.594	\$21.113	\$21.910	\$21.379
Difference	-	(0.659)	(0.659)	-	0.797	0.266

Telephone License Tax

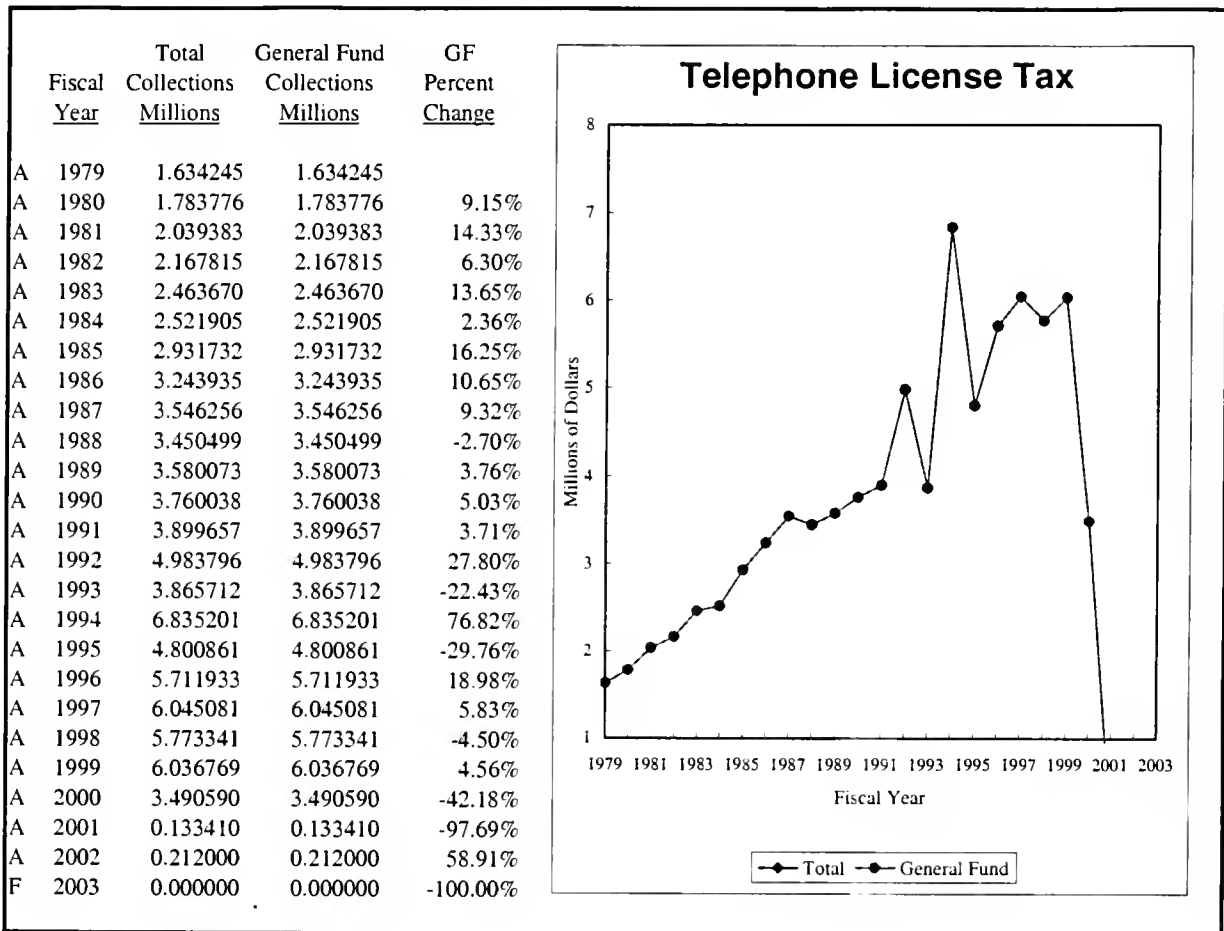
Revenue Description: The telephone license tax was repealed by the 1999 legislature (HB 128) and replaced by a new retail telecommunications excise tax effective January 1, 2000. This new tax is estimated as a separate general fund revenue source.

For the first half of fiscal 2000 (July 1999 through December 1999), the telephone license tax was levied on the gross income earned by any telephone business within the state, including the transmission of telephone messages by line or by microwave equipment.

Applicable Tax Rate(s): An exemption was allowed for the first \$250 of gross income earned each quarter. The tax rate of 1.8% was applied to the adjusted gross income level. Gross income was dependent on the quantity of services provided and the price of the services offered.

Distribution: All proceeds were deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$0.000	\$0.212	\$0.212	\$0.000	\$0.000	\$0.000
Difference	-	0.212	0.212	-	0.000	0.000

Natural Resource Taxes

Coal Severance Tax
Electrical Energy Tax
Metalliferous Mines Tax
Oil & Natural Gas Production Tax
US Mineral Royalty
Wholesale Energy



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Coal Severance Tax

Revenue Description: For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.

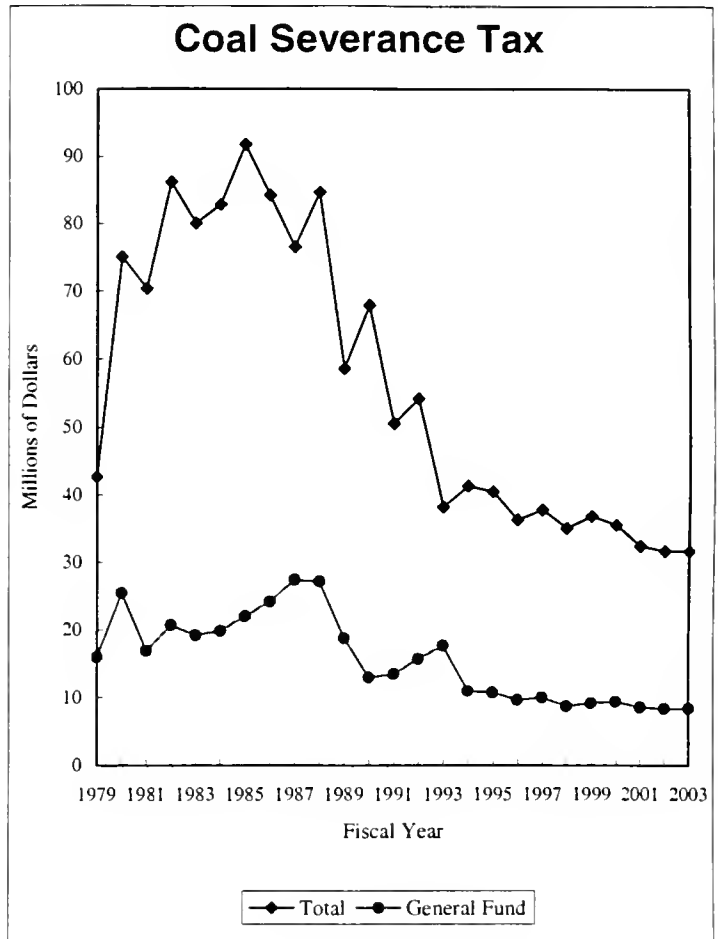
Applicable Tax Rate(s): 10.0% - on coal with a heating quality < 7,000 BTU
15.0% - on coal with a heating quality \geq 7,000 BTU

Distribution: (Percentage)	Fiscal	Fiscal	Fiscal
Account Name	1998-1999	2000-2003	2004-2007
Permanent Trust	25.00	0.00	12.50
Treasure State Endowment	25.00	37.50	25.00
TSEP Regional Water	0.00	12.50	12.50
General Fund	25.25	26.79	26.79
LRBP - Cash Account	12.00	12.00	12.00
LRBP - Debt Service	1.30	0.00	0.00
Park Acquisition Trust	1.27	1.27	1.27
Cultural Trust	0.00	0.63	0.63
Cultural & Aesthetic Projects	0.87	0.00	0.00
Water Development	0.95	0.95	0.95
Other Uses:	8.36	8.36	8.36

"Other Uses" Include:
Local Impact (Coal Board)
County Land Planning
Growth Through Agriculture
State Library
Conservation Districts

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	42.689164	16.008492	
A	1980	75.125009	25.432649	0.588700
A	1981	70.415073	16.899657	-0.335500
A	1982	86.186886	20.684883	0.224000
A	1983	80.045016	19.210830	-0.071300
A	1984	82.823427	19.877640	0.034700
A	1985	91.748855	22.019726	0.107800
A	1986	84.217223	24.212459	0.099600
A	1987	76.546602	27.394944	0.131400
A	1988	84.638333	27.177382	-0.007900
A	1989	58.565583	18.805414	-0.308000
A	1990	67.870544	13.024366	-0.307400
A	1991	50.457848	13.517663	0.037900
A	1992	54.114107	15.778084	0.167200
A	1993	38.181298	17.744422	0.124600
A	1994	41.200704	11.046468	-0.377500
A	1995	40.416416	10.827741	-0.019800
A	1996	36.260949	9.714308	-0.102800
A	1997	37.740212	10.110603	0.040800
A	1998	35.045243	8.848924	-0.124800
A	1999	36.767488	9.283791	0.049100
A	2000	35.469791	9.502357	0.023500
A	2001	32.337172	8.663128	-0.088300
A	2002	31.612542	8.469000	-0.022400
F	2003	31.578947	8.460000	-0.001100



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$9.073	\$8.469	\$8.469	\$9.058	\$8.626	\$8.460
Difference	-	(0.604)	(0.604)	-	(0.432)	(0.598)

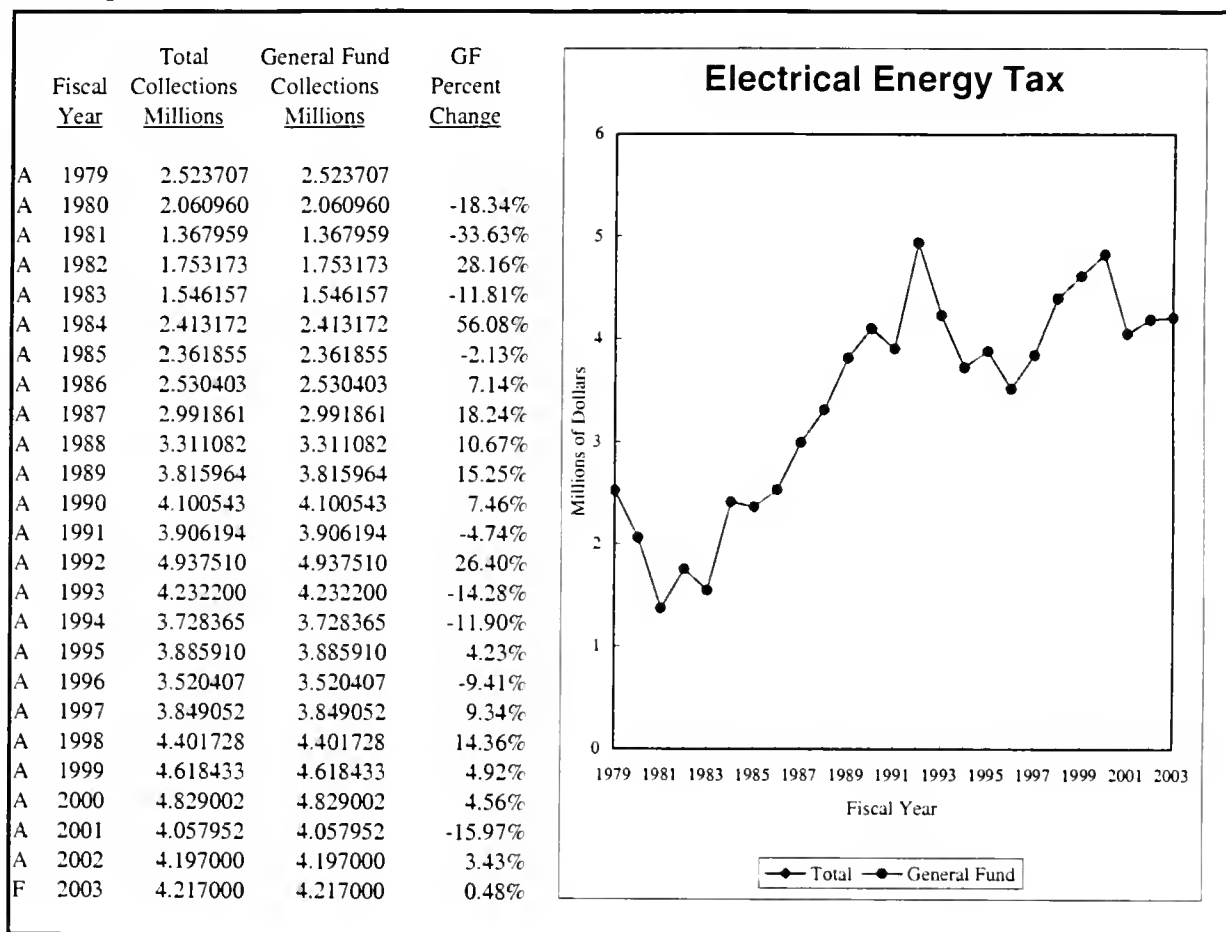
Electrical Energy Tax

Revenue Description: The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

Applicable Tax Rate(s): The tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy. Electrical energy taxes may be reduced by an interest differential credit claimed by the producers. This credit is determined by the difference between the actual interest received on energy conservation loans and the average interest rate for home improvement loans.

Distribution: All proceeds are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$4.644	\$4.197	\$4.197	\$4.664	\$4.197	\$4.217
Difference	-	(0.447)	(0.447)	-	(0.467)	(0.447)

Metalliferous Mines Tax

Revenue Description: The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced.

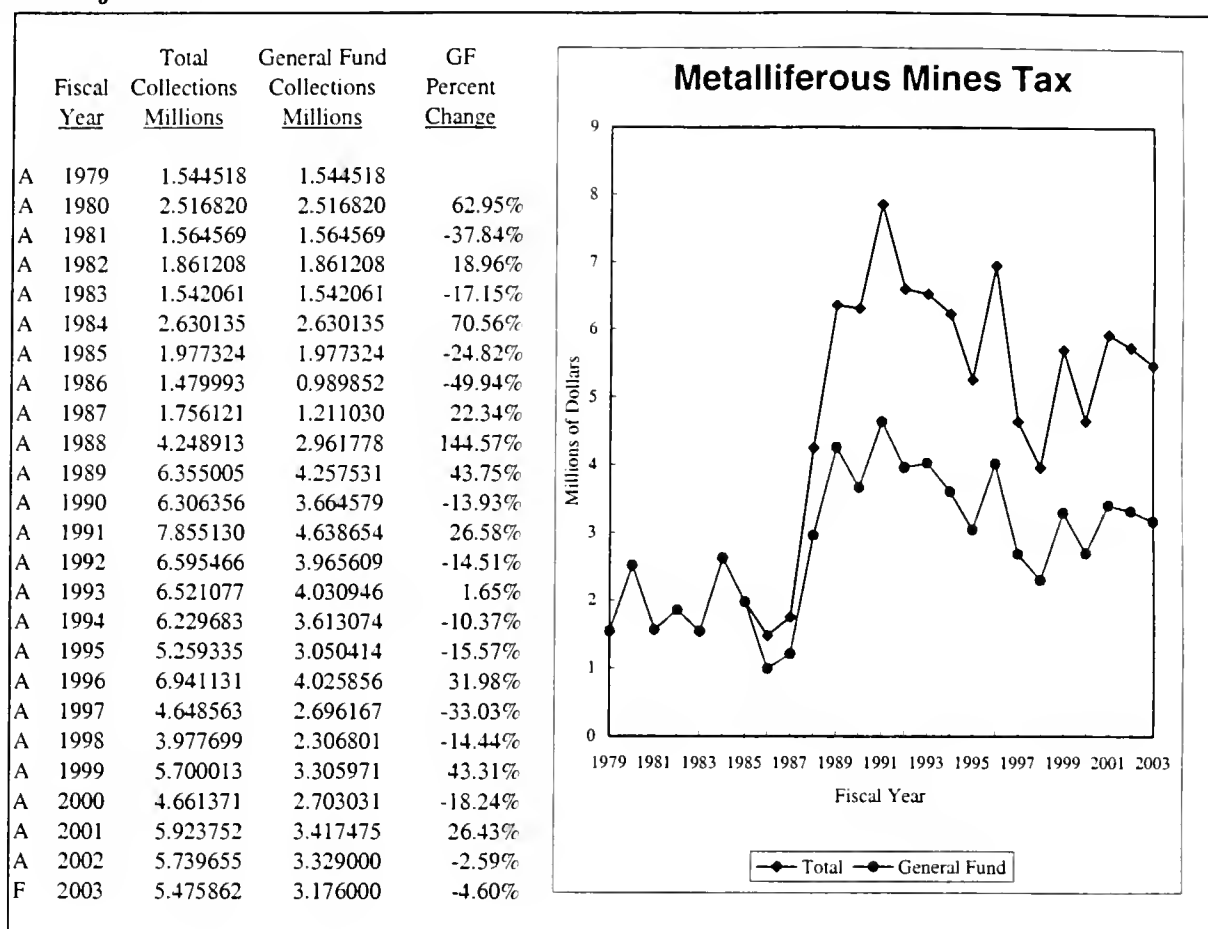
Applicable Tax Rate(s): The tax rate is as follows:

For concentrates shipped to a smelter, mill, or reduction work:		For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:	
Gross Value	Rate	Gross Value	Rate
\$0-\$250,000	Exempt	\$0-\$250,000	Exempt
\$250,001 and Above	1.81%	\$250,001 and Above	1.6%
		* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals	

Distribution: The distribution of the metal mines tax has been altered several times during the 1990s. The 2001 legislature enacted Senate Bill 484 (effective July 1, 2002) that creates a hard-rock mining reclamation debt service fund to pay debt service on the \$8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5 percent allocation of metalliferous mines tax previously allocated to the orphan share account is now allocated to the hard-rock mining reclamation debt service fund. The table below shows recent historical distributions of the tax.

Distribution of Metalliferous Mines Tax (Percent)				
	Fiscal 1994-1995	Fiscal 1996-1997	Fiscal 1998-2002	Fiscal 2003& Beyond
General Fund	58.0	58.0	58.0	58.0
RIT Trust	15.5	0.0	0.0	0.0
Groundwater Assessment	0.0	2.2	0.0	0.0
Abandoned Mines	0.0	8.5	0.0	0.0
Orphan Share	0.0	0.0	8.5	0.0
Hard Rock Reclamation Debt Service	0.0	0.0	0.0	8.5
Reclamation & Dev. Grants	0.0	4.8	7.0	7.0
Hard Rock Mining	1.5	1.5	2.5	2.5
Counties	25.0	25.0	24.0	24.0

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$4.706	\$3.329	\$3.329	\$4.553	\$3.408	\$3.176
Difference	-	(1.377)	(1.377)	-	(1.145)	(1.377)

Natural Gas Production Tax

Revenue Description: The natural gas production tax is applied to the gross value of gas produced in the state based on the type of well and type of production.

Applicable Tax Rate(s): The natural gas production tax has many tax rates and distribution percentages depending on several factors. These factors include whether the natural gas is produced from a stripper well, from a well initially drilled before 1999, or after, from a well newly drilled within the last year or two, and whether the interest being taxed is the working interest or the royalty interest. The table below shows tax rates and distribution percentages for each type of natural gas. The 2001 legislature enacted House Bill 572 that further allocates the RIT share of the tax.

Natural Gas Production Tax and Distribution of Revenue January 1, 2001						
	Tax Rate	Local Share	State Share	RIT Share *	P&L Share	Gen. Fund Share
<u>Working Interests</u>						
Pre-99 after 12 months	15.10%	86.00%	14.00%	14.50%	8.70%	76.80%
Post 99 first 12 months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Post 99 after 12 months	9.30%	86.00%	14.00%	14.50%	8.70%	76.80%
Pre 99 stripper wells	11.30%	86.00%	14.00%	14.50%	8.70%	76.80%
Horizontal first 18 months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Horizontal after 18 months	9.30%	86.00%	14.00%	14.50%	8.70%	76.80%
<u>Royalty Interests</u>						
	11.30%	86.00%	14.00%	14.50%	8.70%	76.80%
* Effective July 1 after the Governor certifies that the resource indemnity trust fund balance has reached \$100 million, House Bill 572 further allocates the 14.5% and 62.5 % allocations of the RIT share as follows: After deducting the natural gas production tax portion of the \$400,000 deposited to the coal bed methane account (HB 572), the remainder is deposited 50% to the reclamation and development account and 50% to the orphan share account. These further allocations terminate June 30, 2011.						

Distribution: The natural gas production is divided into a local share and a state share. The state share is further allocated to the general fund, the resource indemnity trust, and to a state special revenue account for use by the Board of Oil and Gas Conservation. Specific distribution percentages are found in the table above.

Oil Production Tax

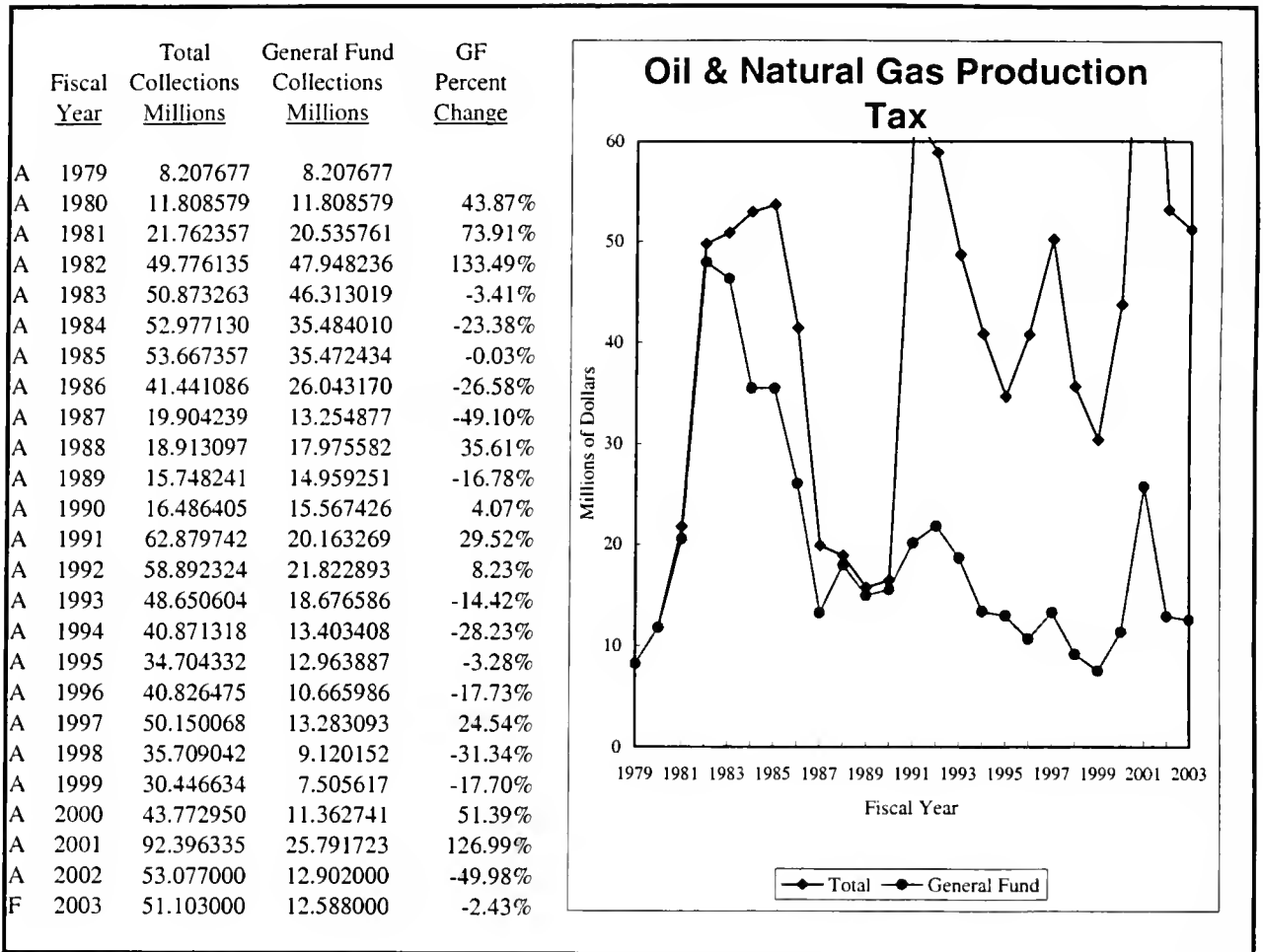
Revenue Description: The oil production tax is imposed on the production of petroleum and other mineral or crude oil in the state. Gross taxable value of oil production is based on the type of well and type of production.

Applicable Tax Rate(s): The oil production tax has numerous tax rates and distribution percentages depending on several factors. These factors include whether the oil is produced from a stripper well, an incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or two, and whether the interest being taxed is the working interest or the royalty interest. The following table shows tax rates and distribution percentages for each type of pre-1999 oil and post-1999 oil. The 2001 legislature enacted House Bill 572 that further allocates the RIT share of the tax.

Oil Production Tax Rates and Distribution of Revenue						
Beginning January 1, 2000						
	Tax Rate	Local Share	State Share	RIT Share *	P&L Share	Gen. Fund Share
<u>Working Interests</u>						
Pre 99 after 12 Months	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Post 99 First 12 Months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Post 99 after 12 months	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper 4-10 barrels per day	5.80%	86.20%	13.80%	62.50%	37.50%	0.00%
Stripper 11-15 barrels per day	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Stripper Well Exemption	0.80%	0.00%	100.00%	0.625	0.375	0.00%
Pre99 Horizontal after 18 months	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Post 99 Horizontal first 18 months	0.80%	0.00%	100.00%	62.50%	37.50%	0.00%
Post 99 Horizontal after 18 months	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
Incremental - secondary	8.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Incremental - tertiary	6.10%	60.70%	39.30%	8.62%	5.17%	86.21%
Pre99 Horizontal Recomp - after 18 months	12.80%	60.70%	39.30%	8.62%	5.17%	86.21%
Post99 Horizontal Recomp - first 18 months	5.80%	0.00%	100.00%	8.62%	5.17%	86.21%
Post99 Horizontal Recomp - after 18 months	9.30%	60.70%	39.30%	8.62%	5.17%	86.21%
<u>Royalty interests</u>	15.10%	60.70%	39.30%	8.62%	5.17%	86.21%
<small>* Effective July 1 after the Governor certifies that the resource indemnity trust fund balance has reached \$100 million, House Bill 572 further allocates the 62.50% and 8.62% allocations of the RIT share as follows: After deducting the oil production tax portion of the \$400,000 deposited to the coal bed methane account (HB 572), the remainder is deposited 50% to the reclamation and development account and 50% to the orphan share account. These further allocations terminate June 30, 2011.</small>						

Distribution: Once the oil production tax has been collected, it is divided into a local share and a state share. The state share is further allocated to the general fund, the resource indemnity trust, and a state special revenue account for use by the Board of Oil and Gas Conservation. Specific distribution percentages are found in the table above.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$12.407	\$12.902	\$12.902	\$11.984	\$13.819	\$12.588
Difference	-	0.495	0.495	-	1.835	0.604

* This table includes Oil & Natural Gas production combined

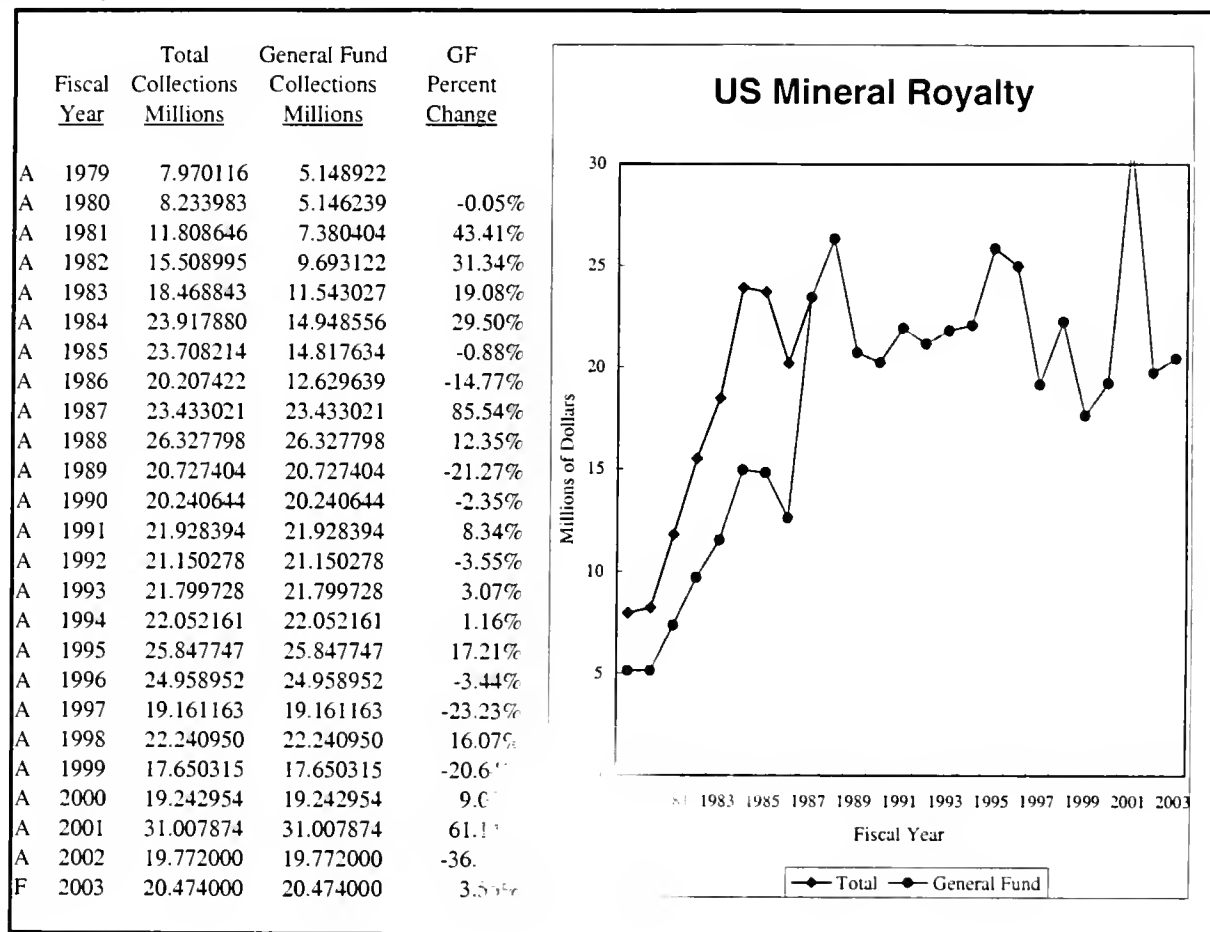
US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Applicable Tax Rate(s): N/A

Distribution: All receipts are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$21.756	\$19.772	\$19.772	\$20.474	\$20.474	\$20.474
Difference	-	(1.984)	(1.984)	-	0.000	0.000

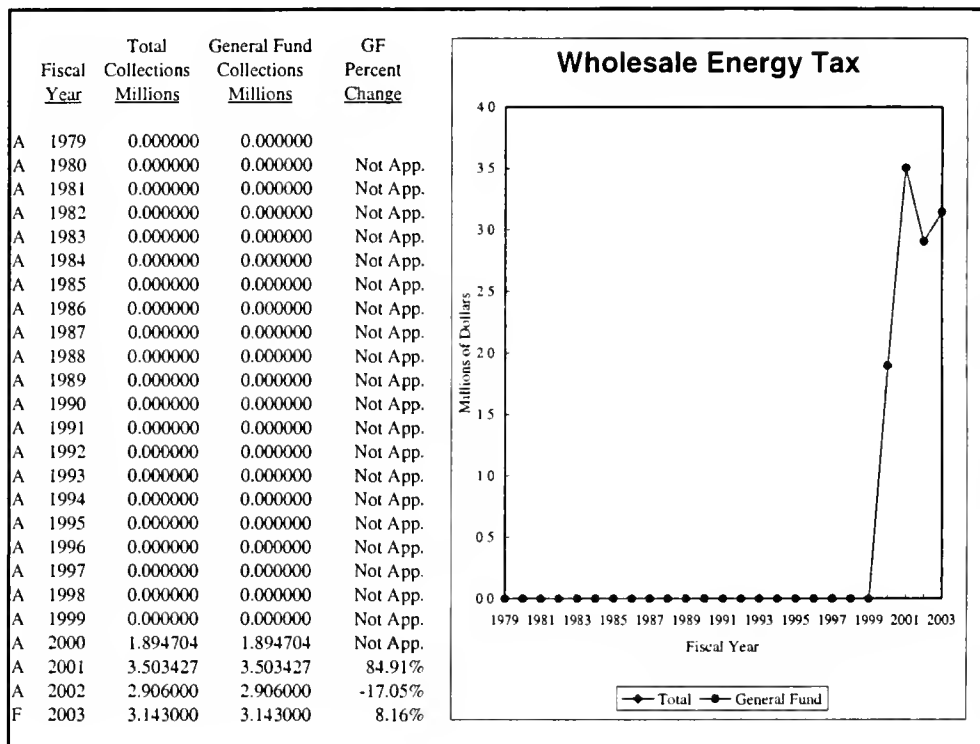
Wholesale Energy Tax

Revenue Description: The wholesale energy transaction tax, enacted by the 1999 legislature (HB 174) and effective January 1, 2000, is imposed on the amount of electricity transmitted by a transmission services provider in the state.

Applicable Tax Rate(s): The current tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; and 6) electricity that has been subject to the transmission tax in another state.

Distribution: All proceeds are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$3.568	\$2.906	\$2.906	\$3.614	\$3.332	\$3.143
Difference	-	(0.662)	(0.662)	-	(0.282)	(0.471)

Interest Earnings

Coal Trust Interest
Common School Interest and Income
Treasury Cash Account Interest



Legislative Fiscal Division



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Coal Trust Interest

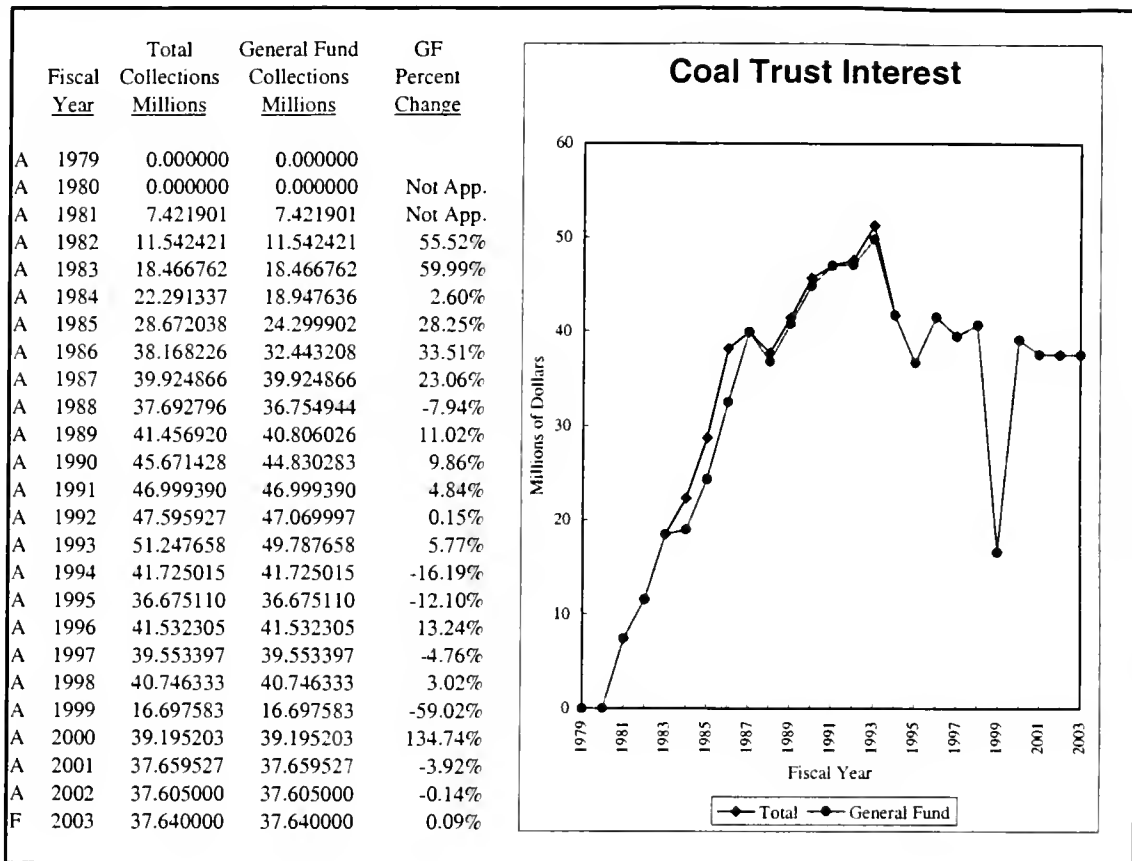
Revenue Description: Article IX, Section 5 of the Montana Constitution requires that 50.0 percent of all coal severance tax revenue be deposited in a permanent coal trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure state bonds issued to finance water resource and renewable resource development projects and activities. Through fiscal 2003, the funds are then split 75 percent to the treasure state endowment trust fund and 25 percent to the treasure state endowment regional water system trust fund. With the enactment of House Bill 610 by the 2001 legislature, beginning fiscal 2004 the funds are then split 50 percent to the treasure state endowment trust fund, 25 percent to the treasure state endowment regional water system trust fund, and 25 percent to the permanent trust fund. By statute, interest earned on the permanent trust that is not earmarked to other programs is deposited to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as for the Montana Science and Technology Alliance, are taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust fund bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock. However, this prohibition is removed if the constitutional amendment put on the ballot by Senate Bill 493 (enacted by the 2001 legislature) is approved by the electorate.

Applicable Tax Rate(s): N/A

Distribution: Interest earned on the permanent coal tax trust fund is deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$36.401	\$37.605	\$37.605	\$36.276	\$37.146	\$37.640
Difference	-	1.204	1.204	-	0.870	1.364

Common School Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools generate income. The common school trust is actually part of the trust and legacy trust fund that includes nine other trusts. Prior to fiscal 1996, income from the common school trust was deposited in the state equalization account. Beginning in fiscal 1996, this income was deposited in the general fund, as mandated by SB 83, passed by the 1995 legislature. The common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust such as income from the sale of minerals, land, and easements. Excluding timber revenue and after deducting 3.0 percent of the revenue for use by the Department of Natural Resources and Conservation (DNRC), distributable revenues are deposited 95.0 percent to the general fund and, due to Senate Bill 48 (discussed below), the remaining 5.0 percent is available to fund the Trust Land Management Division of DNRC. The 3.0 percent allocation to DNRC is used for resource development purposes. Timber revenue is allocated: 1) first by DNRC to fund its timber program in the amount appropriated by the legislature; 2) the amount received above the value of 18 million board feet is deposited into the state special revenue fund for technology equipment and training and is statutorily appropriated (House Bill 41 enacted by the 2001 legislature); and 3) any remainder for the support of public schools.

Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. The amount of the money diverted from the common school trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

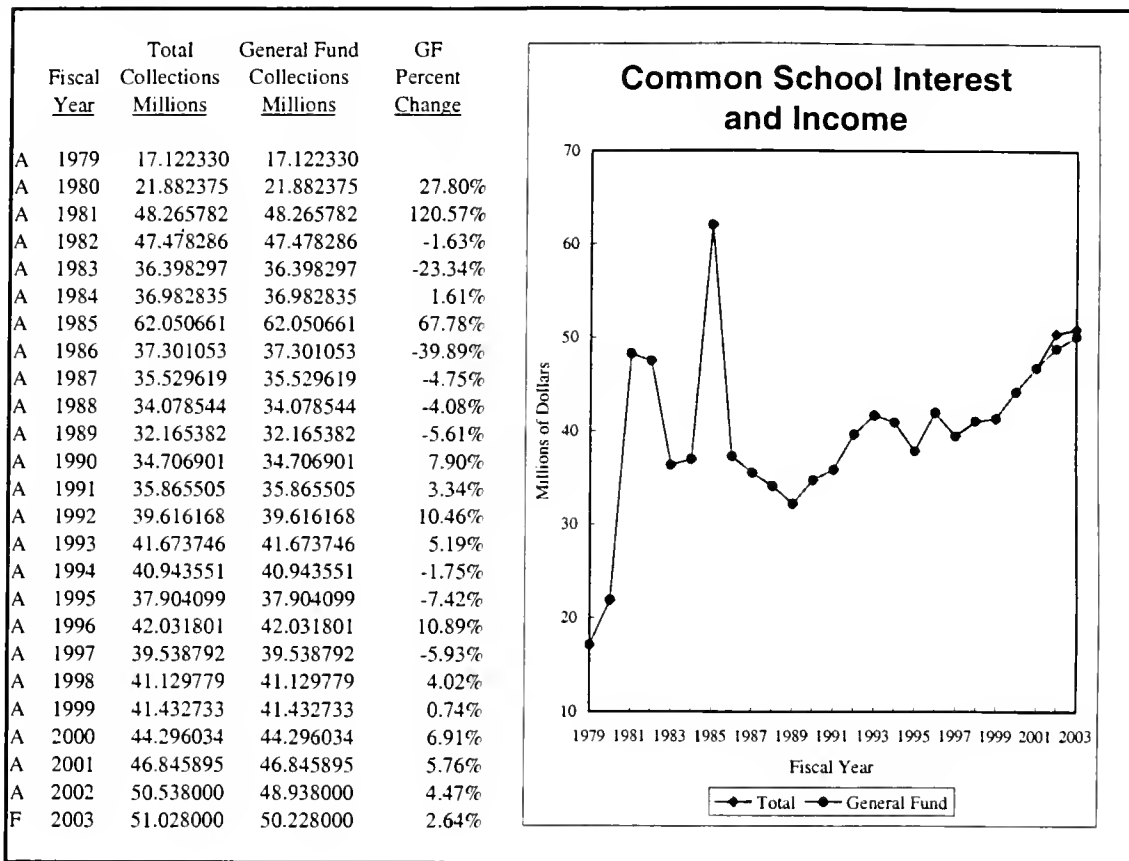
As of October 1, 1995, all fixed-income investments held by the state’s major trust funds (which includes the trust and legacy fund of which the common school trust is a part), were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short term basis in the state’s Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock. However, this prohibition is removed by House Bill 41 (enacted by the 2001 legislature) if the constitutional amendment put on the ballot by Senate Bill 493 (enacted by the 2001 legislature) is approved by the electorate.

Senate Bill 495 (enacted by the 2001 legislature) authorizes DNRC to purchase the mineral production rights (with a loan from the coal severance trust) from the common school trust. Since the royalties from any rights purchased would no longer be deposited to the trust, interest earnings would decrease. However, additional interest earnings will be generated from the proceeds of the mineral production rights sale.

Applicable Tax Rate(s): N/A

Distribution: As described above, interest and income from common school lands (excluding timber sales and amounts deducted to fund DNRC) is distributed 95.0 percent to the general fund. The remaining 5.0 percent is available to fund the Trust Land Management Division with the remainder deposited to the trust fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$48.703	\$48.938	\$48.938	\$51.233	\$48.801	\$50.228
Difference	-	0.235	0.235	-	(2.432)	(1.005)

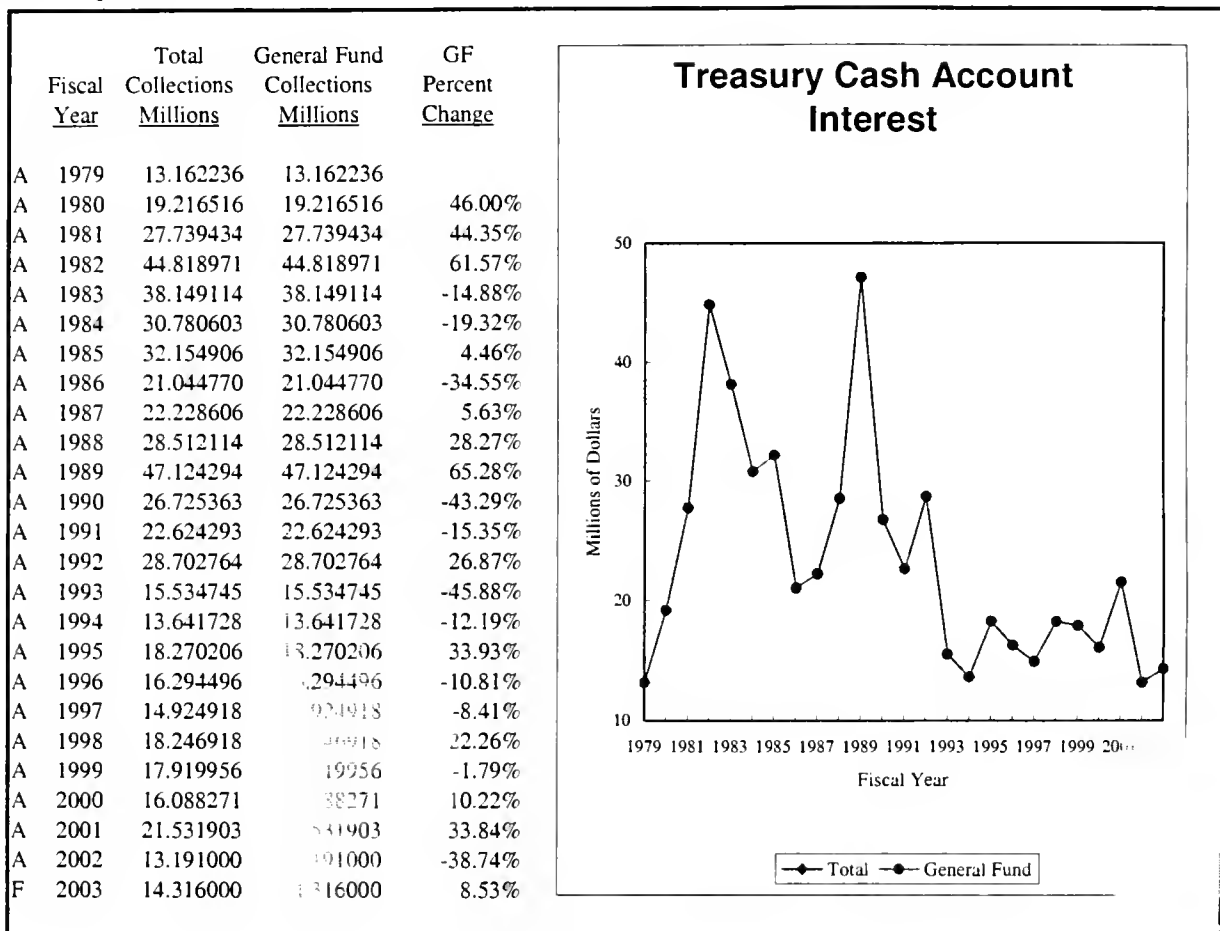
Treasury Cash Account Interest

Revenue Description: The Department of Commerce Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund account. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average investable balance. TRANS are anticipated at \$20.0 million in each year of the 2003 biennium.

Applicable Tax Rate(s): N/A

Distribution: All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$14.671	\$13.191	\$13.191	\$14.102	\$13.449	\$14.316
Differences	-	(1.480)	(1.480)	-	(0.653)	0.214

Consumption Taxes

Beer Tax
Cigarette Tax
Liquor Excise & License Tax
Liquor Profits

Lottery Profits
Tobacco Tax
Video Gambling Tax
Wine Tax



Legislative Fiscal Division



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Beer Tax

Revenue Description: A tax is levied on each barrel of beer produced in or imported into Montana based on the amount produced. A small portion of the revenue from the beer license tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

Applicable Tax Rate(s): The per barrel tax varies based on barrels of production: 1) up to 5,000 barrels - \$1.30; 2) 5,001 to 10,000 barrels - \$2.30; 3) 10,001 to 20,000 barrels - \$3.30; and 4) over 20,000 barrels - \$4.30.

Distribution: Beer tax revenue is distributed 76.74 percent to the general fund and 23.26 percent to the DPHHS alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

Barrels of Beer

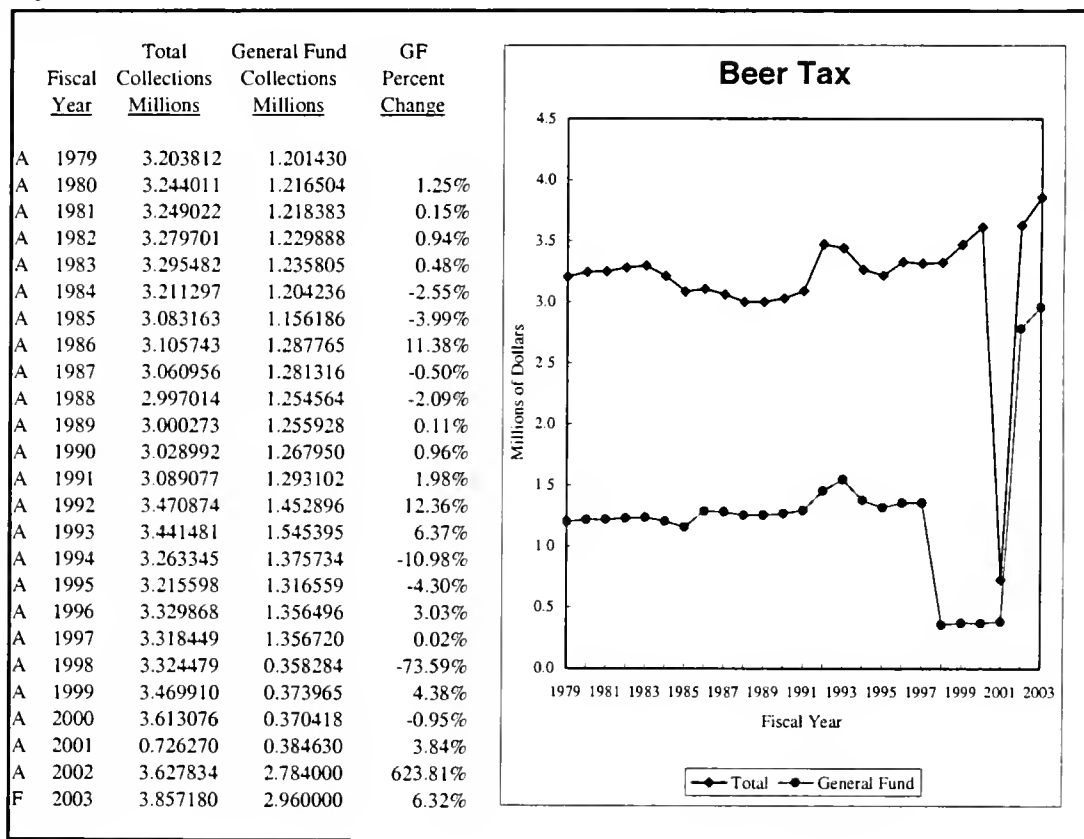
Montana Population

Montana Employment

Montana Per Capita Consumption

Montana Disposable Income

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$2.885	\$2.784	\$2.784	\$3.013	\$2.826	\$2.960
Difference	-	(0.101)	(0.101)	-	(0.187)	(0.053)

Cigarette Tax

Revenue Description: The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignia are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of the national average for individual consumption of cigarettes multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

Applicable Tax Rate(s): Wholesalers pay a license fee of \$50.00 and each retailer pays a license fee of \$5.00. License fees are renewable each year and are non-transferable. The excise tax on cigarettes is \$0.18 per twenty-cigarette pack. When a pack contains more than 20 cigarettes, the tax is prorated at 1/20th of \$0.18 for each cigarette in excess of 20 cigarettes.

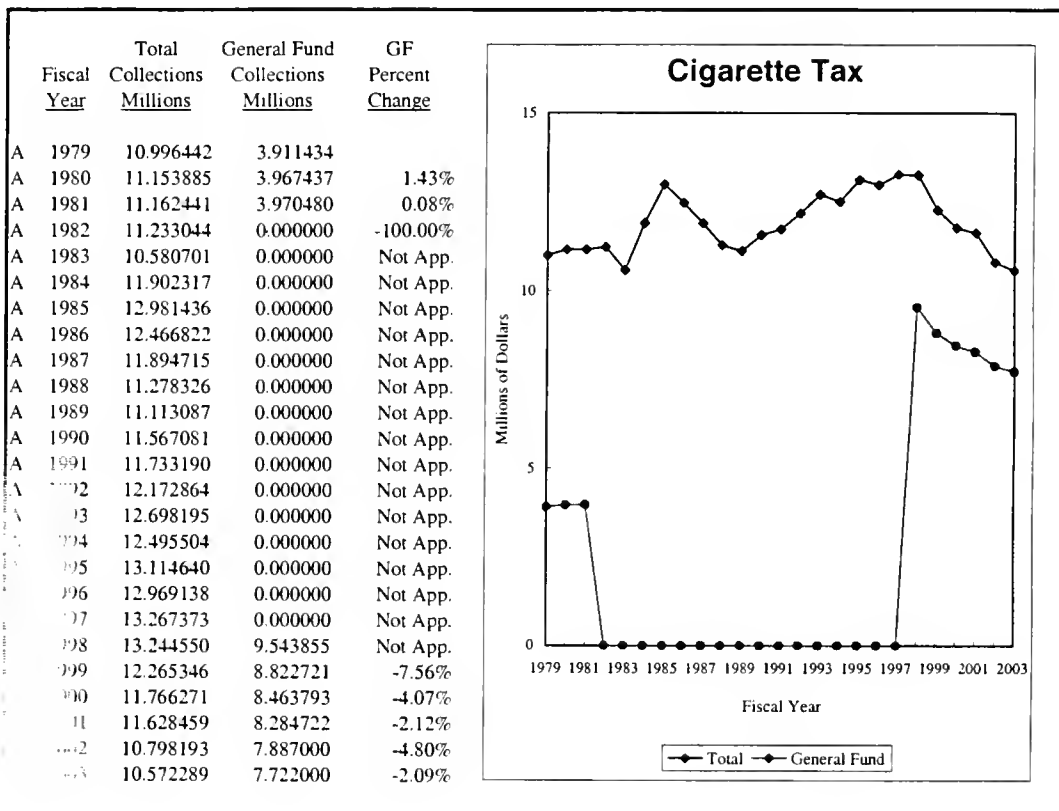
Distribution: All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax is distributed:

11.11% - DPHHS for veterans' nursing home operation and maintenance

73.04% - General Fund

15.85% - Long-Range Building Program

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$8.057	\$7.887	\$7.887	\$7.889	\$7.765	\$7.722
Difference	-	(0.170)	(0.170)	-	(0.124)	(0.167)

Liquor Excise and License Tax

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A small portion of the excise tax revenue is returned to Indian tribes per an agreement with the department.

Applicable Tax Rate(s):

Excise Tax Rate

16.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate

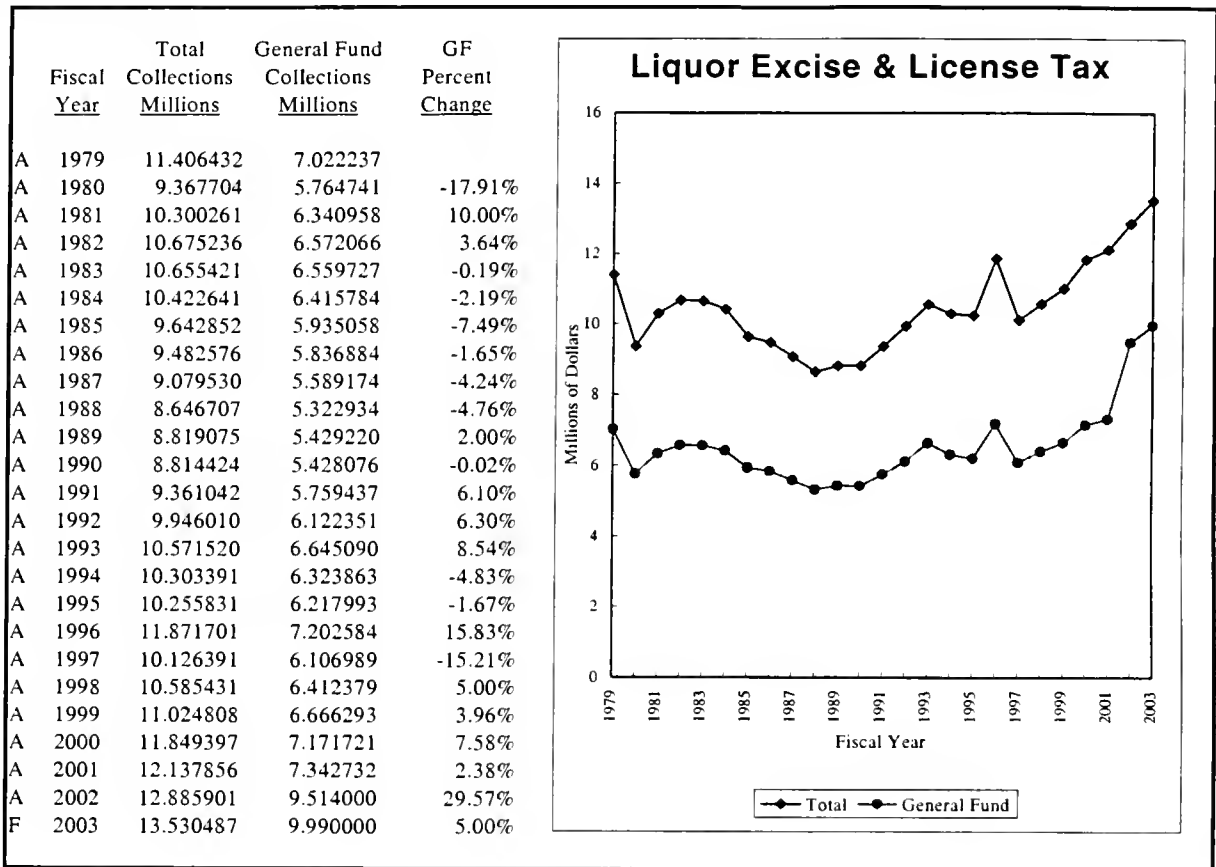
10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

Distribution:

Excise tax revenue, less amounts distributed to Indian tribes, is deposited in the enterprise fund for transfer to the general fund.

License tax revenue is allocated 34.5 percent to the general fund and 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$9.661	\$9.514	\$9.514	\$10.220	\$10.019	\$9.990
Difference	-	(0.147)	(0.147)	-	(0.201)	(0.230)

Liquor Profits

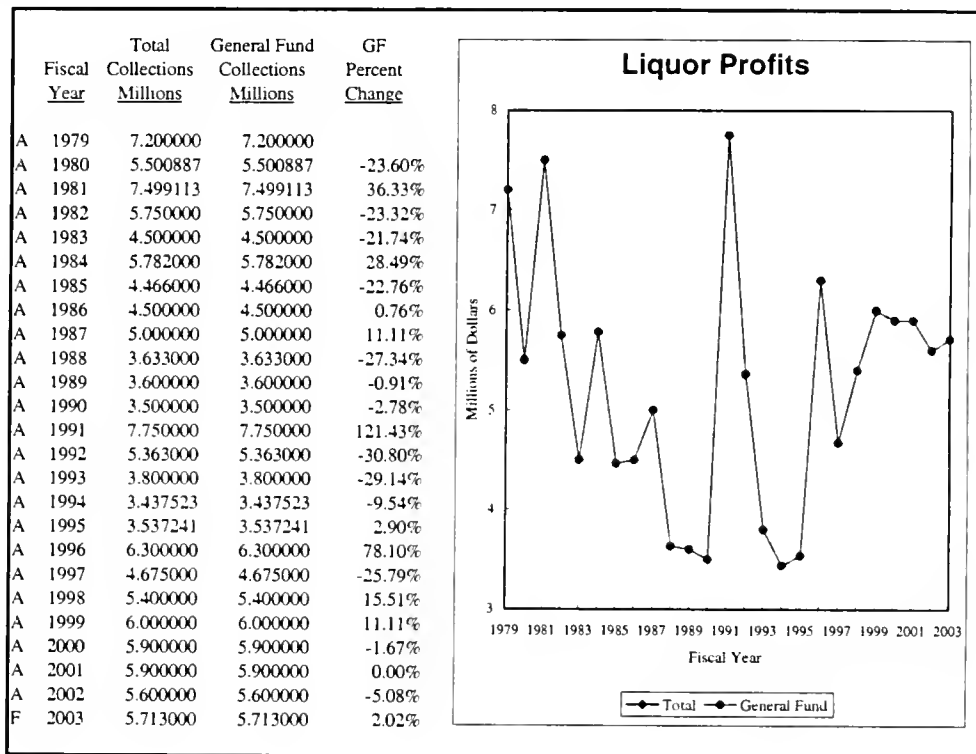
Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor and wine to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and wine, less costs such as commissions and discounts. House Bill 348 enacted by the 2001 legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning fiscal 2003. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up on wine (excluding hard cider) varies according to the size of the container and whether or not it is fortified wine or table wine. The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

Applicable Tax Rate(s): N/A

Distribution: Liquor profits are usually deposited in the general fund annually.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$5.831	\$5.600	\$5.600	\$5.845	\$5.600	\$5.713
Difference	-	(0.231)	(0.231)	-	(0.245)	(0.132)

Lottery Profits

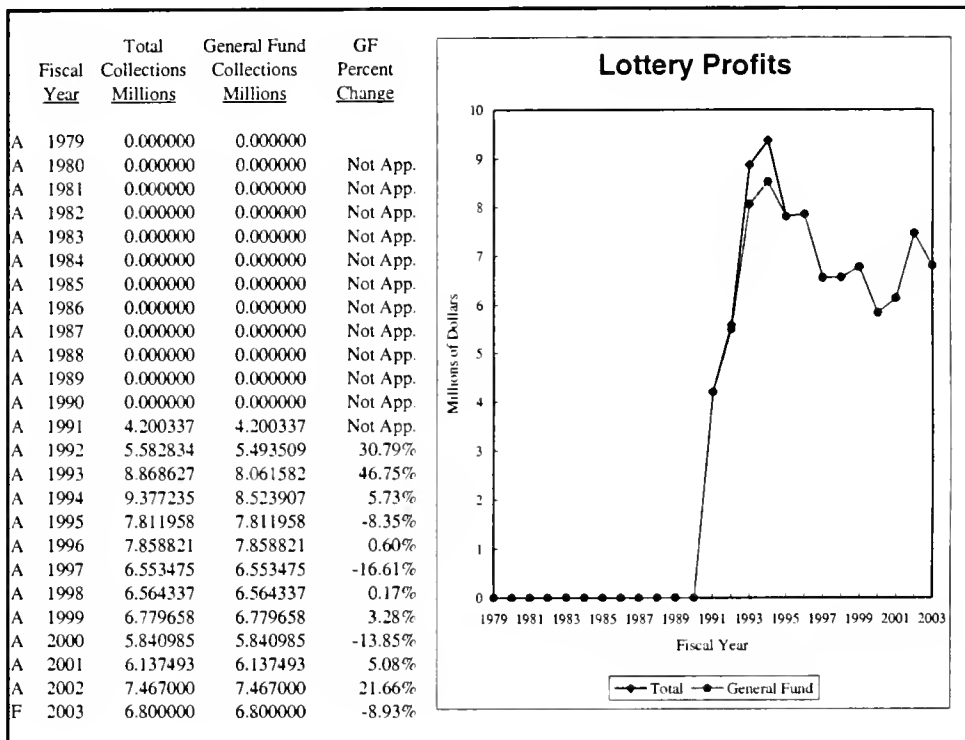
Revenue Description: The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as "any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize". The games are administered by the Department of Commerce. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prize money.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Revenue is initially deposited into an enterprise fund known as the state lottery fund.

Applicable Tax Rate(s): There is no actual tax rate involved. However, applicants for sales agent licenses are charged a \$50.00 fee to cover the cost of investigating and processing the applications.

Distribution: All gross lottery revenue not used for prizes, commissions, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 legislature, requires the Department of Commerce to submit a 2003 biennium budget for the lottery enterprise fund for appropriation by the legislature. By controlling the appropriations, the legislature has better control over the amount transferred to the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$6.249	\$7.467	\$7.467	\$6.178	\$6.320	\$6.800
Difference	-	1.218	1.218	-	0.142	0.622

Tobacco Tax

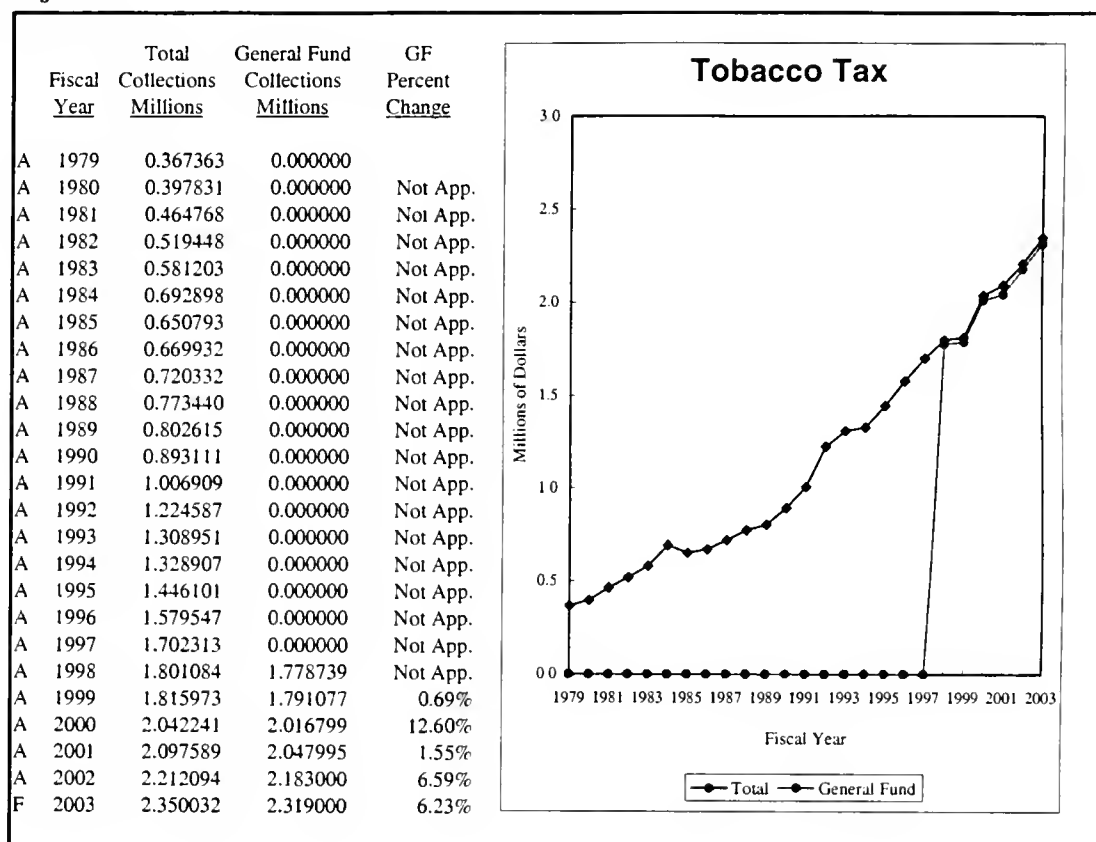
Revenue Description: A tax of 12.5 percent of the wholesale price of tobacco products other than cigarettes is collected by the Department of Revenue (DOR). The tax is considered to be a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax. The wholesaler must pay DOR the taxes in full less a 5.0 percent discount for the wholesaler's collection and administrative expense. The wholesaler is entitled to a refund for tobacco products that remain unsold.

The state has a tobacco agreement with only one tribe in Montana. In the agreement with the Blackfeet Tribe, the state collects a tax imposed by the Tribe and forwards the revenue to the Tribe. Indian consumers of tobacco on other reservations pay the tobacco tax.

Applicable Tax Rate(s): The tax is 12.5 percent of the wholesale price of (non-cigarette) tobacco products.

Distribution: All proceeds, less distributions paid according to tribal agreements, are deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$2.265	\$2.183	\$2.183	\$2.400	\$2.290	\$2.319
Difference	-	(0.082)	(0.082)	-	(0.110)	(0.081)

Video Gambling Tax

Revenue Description: Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0 percent of the gross income from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. With the enactment of House Bill 124 by the 2001 legislature, all of the video gambling tax is deposited into the general fund.

Applicable Tax Rate(s):

License Fees

- o Video Gambling Machine Permit - \$200 annually, \$25 machine transfer processing fee
- o Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- o Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- o Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- o Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- o Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- o Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- o Antique Slot Machine Seller Permit - \$50 annually
- o Live Card Game Table - \$250 annually for the first table and \$500 for each additional table
- o Card Game Dealer License - \$75 for the first year, \$25 for each subsequent year
- o Pinochle Tournament Permit - \$25
- o Card Room Contractor License - \$150 annually
- o Bingo/Keno Permit - \$250 annually
- o Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- o Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- o Casino Night Permit - \$25

Gambling Taxes

- o Video - 15.0% of gross income per video gambling machine
- o Bingo/Keno – 1.0% of gross proceeds
- o Sport Tabs - \$1.00 for each 100 sport tabs sold

Distribution:

License Fees

All license fee revenue is retained by DOJ to cover administrative costs, except for \$100 of the live card game table fee and \$100 of the video gambling machine permit fee. These amounts are statutorily appropriated for distribution to local governments.

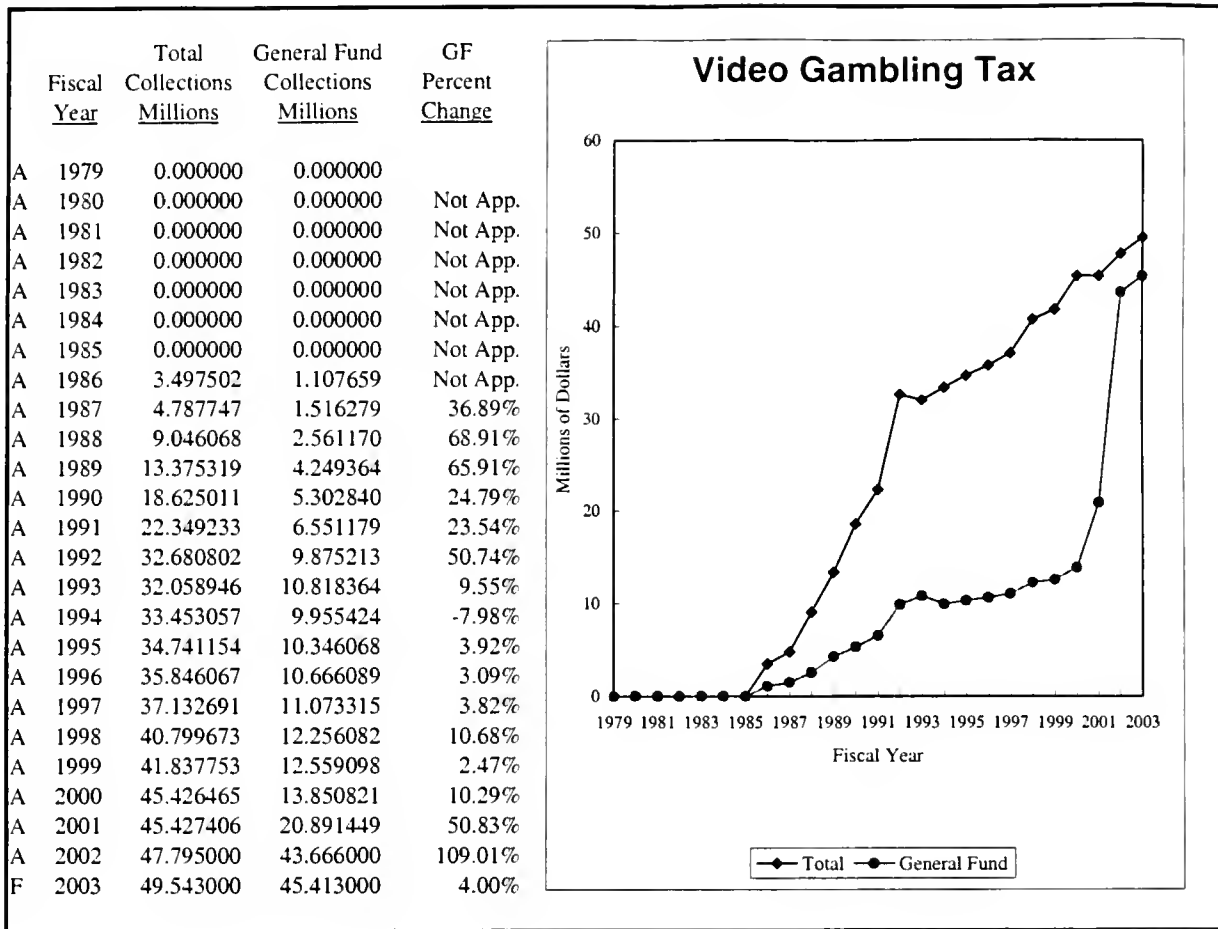
Gambling Taxes

Video - All of video gambling tax receipts are deposited into the general fund.

Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.

Sport Tabs – All collections are retained by DOJ for administration purposes.

Revenue Projection:



Fiscal 2002				Fiscal 2003			
	HJR	Exec	LFD	HJR	Exec	LFD	
Estimates	\$41.518	\$43.666	\$43.666	\$45.192	\$45.171	\$45.413	
Difference	-	2.148	2.148	-	(0.021)	0.221	

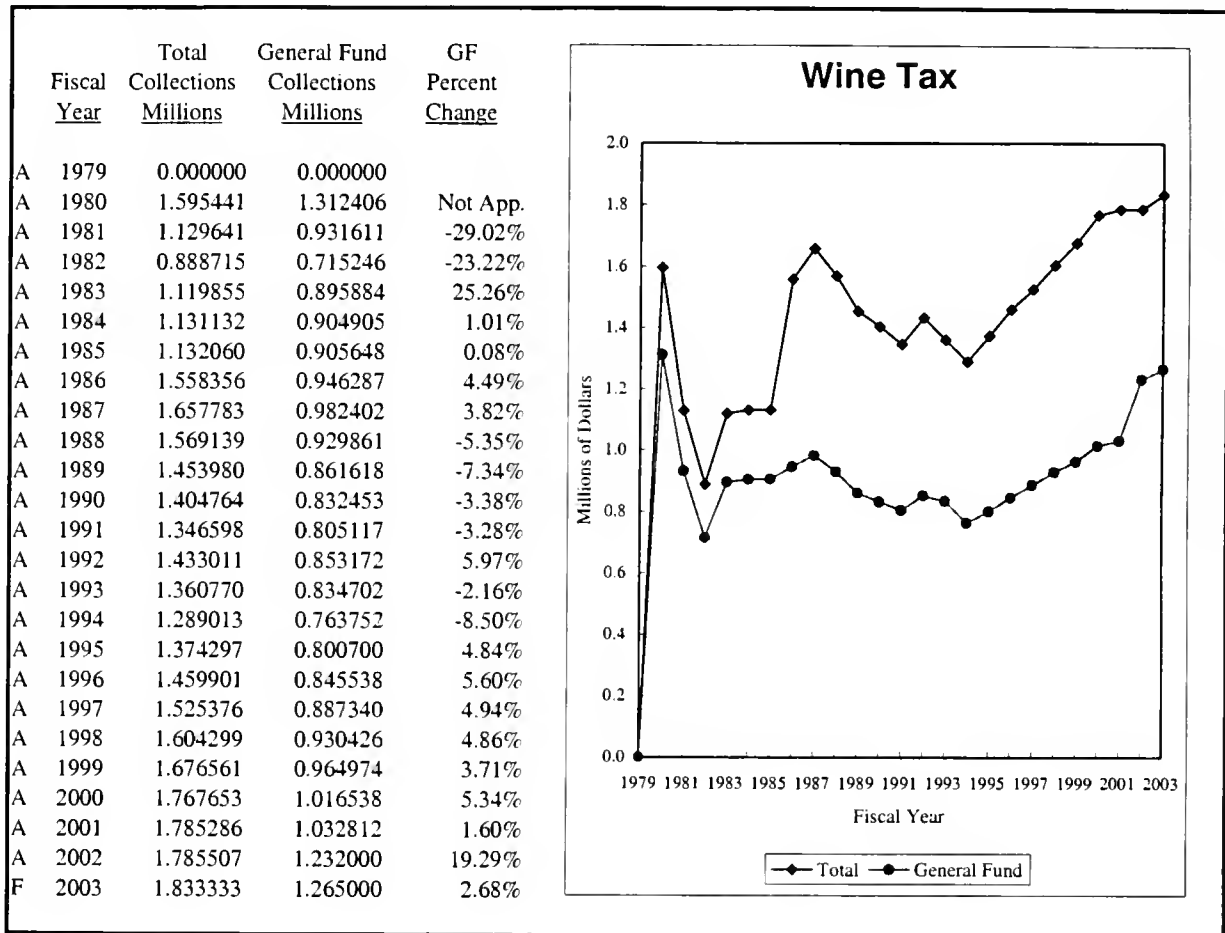
Wine Tax

Revenue Description: A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Indian tribes per an agreement between DOR and the tribes.

Applicable Tax Rate(s): A tax of \$0.27 is imposed per liter of wine and a tax of \$0.037 per liter is imposed on hard cider. An additional tax of \$0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

Distribution: The \$0.01 per liter tax is deposited into the general fund. Other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the DPHHS alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

Revenue Projection:



Fiscal 2002				Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$1.300	\$1.232	\$1.232	\$1.357	\$1.249	\$1.265
Difference	-	(0.068)	(0.068)	-	(0.108)	(0.092)

Property Taxes

Non Levy Revenue
Property Tax 9 Mill
Property Tax 40 Mill
Property Tax 55 Mill
Vehicle Tax



Legislative Fiscal Division



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Non Levy Revenue

Non levy revenue includes federal forest receipts, oil and gas revenue, coal gross proceeds revenue, reimbursements from the state, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes and financial institution taxes were non levy revenue. The mills to which non levy revenue is distributed is unique for each county and each non levy revenue source. The state's portion of non levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

66 2/3% goes to the general fund of the county

33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the current year:

county equalization accounts (55 mills)

county transportation account

county retirement accounts

FINANCIAL CORPORATION TAX

Revenue Description: The corporation income tax is levied against a corporation's net income earned in Montana. Some of these corporations are banks, savings and loans, and financial corporations. Factors that affect financial corporation license tax receipts include the health of the state economy, the spread between interest rates, and loan default rates. Additional factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue.

Applicable Tax Rate(s): The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income

Distribution: Until July 1, 2000, the corporation tax on financial institutions was collected by the state. Of this amount, twenty percent was distributed to the general fund. The remaining 80.0 percent was sent to the county treasurer in the county in which the financial institution was located. The county treasurer distributed this amount of tax based on the relative proportions of mill levies for counties, school districts, and municipalities as these exist for the current fiscal year. For purposes of this distribution, the county equalization levy (55 mills), the welfare levy (9 mills) and the vo-tech levy (1.5 mills) were considered county levies and received a portion of this revenue. The state equalization levy (40 mills) and the university levy (6 mills) do not receive distributions from this revenue source.

Beginning July 1, 2000, as per House Bill 124, financial institution taxes are no longer distributed across local mills, but instead are deposited 100 percent to the state general fund as corporation taxes (see Corporation Income Tax for a description of House Bill 124).

COAL GROSS PROCEEDS TAX

Revenue Description: The state imposes a gross proceeds tax of 5.0 percent of the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

Applicable Tax Rate(s): The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

Distribution: The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year.

OIL & NATURAL GAS PRODUCTION TAXES

Revenue Description: The oil production tax is imposed on the production of petroleum and other mineral or crude oil in the state. The natural gas production tax is imposed on the production of natural gas in the state. The revenue from these taxes is submitted to the state, from which the state draws its share for distribution to the general fund, the resource indemnity trust and the Oil and Gas Conservation Board (See *Oil Production Tax* and *Natural Gas Production Tax*). The remaining share is for local distribution and is sent to the county treasurer in the counties in which the production occurred. A portion of the local share is distributed to the statewide mill levies.

Applicable Tax Rate(s): The oil and natural gas production taxes have numerous tax rates and distribution percentages depending on several factors. These factors include whether the oil or natural gas is produced from a stripper well, a horizontal well, an incentive well, from a well initially drilled before July 1, 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest.

Distribution: The local share of the oil and gas production tax is distributed by the county treasurer based on the relative proportions of mill levies for the state, counties, and school districts. The distribution of 5 percent of the revenue from pre-99 wells is based on the mill ratios that existed in fiscal 1990 (which did not include the 40 mills). The distribution of the remaining revenue from pre-99 wells and all the revenue from post-99 wells is distributed on mill ratios that existed in the previous fiscal year.

PERSONAL PROPERTY TAX REIMBURSEMENT

Revenue Description: The 6 mill university levy account, the 9 mill welfare levy account, and the 1.5 mill levy account (general fund), in addition to local governments and school districts, receive personal property reimbursements which were enacted during the June 1989 special legislative session in HB 20. These reimbursements are statutorily appropriated by the legislature and are designed to offset the revenue impacts of the reduction in personal property tax rates enacted in HB 20. The amount distributed to local jurisdictions and to the state accounts are fixed at levels which existed in fiscal 1994. These amounts will be reduced by 10.0 percent per year beginning in fiscal 2000 through fiscal 2009.

Applicable Tax Rate(s): N/A

Distribution: Half of the reimbursements are distributed in November and half in May of each fiscal year.

OTHER REVENUE

Revenue Description: The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

Applicable Tax Rate(s): N/A

Distribution: Varies

VEHICLE TAX

Revenue Description: Before January 1, 2001, light vehicles (including vans and sport utility vehicles) were taxed at 1.4 percent of the depreciated value of the manufacturer's suggested retail price (MSRP). In addition, buses, trucks, truck tractor's having a manufacturer's rated capacity of more than 1 ton, and certain trailers, were taxed under a fee schedule which varies by age and weight.

Effective January 1, 2001, light vehicles are charged a registration fee as a result of the passage of LR 115 (HB540) by the electorate in November 2000. The fee is \$195 for light vehicles of age between zero and four years, \$65 for vehicles between five and ten years of age, and \$6 for vehicles over ten years old. LR 115 also lowered the registration fees charged on motorcycles and quadricycles. Under the law before LR 115, motorcycles were charged a fee based on four age categories and three engine size categories. Under LR 115 and beginning January 1, 2001, the number of age categories is reduced to three and the number of engine size categories remains the same. The new motorcycles registration fees are reduced relative to those in existence before LR 115.

Applicable Tax Rate(s): Varies

Distribution: Before July 1, 2001, all registration fees from newly titled light vehicles were deposited into the highway restricted state special revenue account. Ten percent of the registration collected on light vehicles was distributed to a state special revenue account to fund certain district court expenses. The remaining 90 percent of light vehicle registrations fees and fees in lieu of taxes for motorcycles and quadricycles were distributed in the relative proportions required by the levies for county, school district, and municipal purposes in the same manner as personal property taxes were distributed. No registration fee revenue from light vehicles and motorcycles and quadricycles was distributed to state mills, nor to the 9-mill welfare levy. The vo-tech levy (1.5 mills) continues to receive a share of this revenue. All other registration fees and fees in lieu of taxes (on large trucks, trailers, motor homes, campers etc.) were distributed in the relative proportions required by the levies for state, county, school district, and municipal purposes based on prior year mills. This revenue source represents one component used to calculate total non levy property tax revenue.

Beginning July 1, 2001, all vehicle fees are deposited in the state general fund. Distribution of the revenue as non levy revenue will cease.

Property Tax 1.5 Mill

Revenue Description: Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), vehicle fees, coal gross proceeds taxes, the local share of the state corporation license taxes, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the university.

Property Tax 40 Mill

Revenue Description: The state levies a statewide equalization levy of 40 mills against taxable value of all property in the state. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. Property valued at assessed value includes residential and commercial real estate, agricultural land and timberland.

Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. SB184, passed during the 1999 session, required that appraised values be phased-in over four years. At the same time, a homestead exemption was created and phased-in for residential real estate, and a homestead exemption was phased-in for commercial real estate. In addition, the tax rates for residential and commercial real estate, agricultural and timberland are being phased-in. Agricultural land and timberland are valued on a productivity basis.

The revenue from the property tax depends on the underlying value of the property, legislated tax rates, as well as state and local mill levies. Prior to fiscal 1996, revenue from the county equalization levy and the statewide levy was deposited in the school equalization account (SEA) and used exclusively for support of public schools. Senate Bill 83, passed by the 1995 legislature, revised laws concerning dedicated revenue and appropriations. Beginning in fiscal 1996 property tax receipts, while still to be used for support of public schools, are deposited in the general fund.

Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), vehicle fees, coal gross proceeds taxes, the local share of the state corporation license taxes, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the university and welfare levy.

Property Tax 55 Mill

Revenue Description: Montana law requires all counties to levy 6 mill university levy for deposit in a state special revenue account to be used for revenue to fund the university system. This levy is voted by voters statewide every ten years.

Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. Property valued at assessed value includes residential and commercial real estate, agricultural land and timberland.

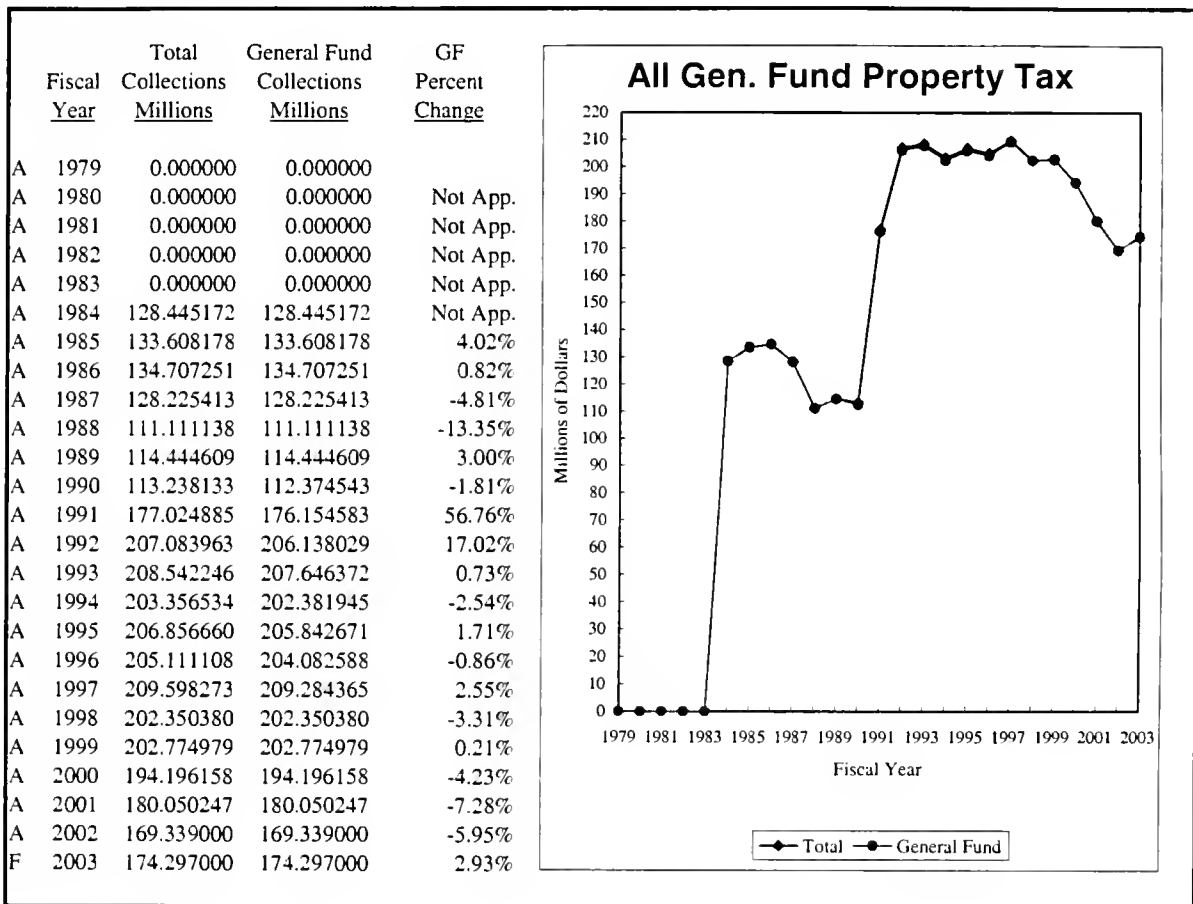
Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. SB184, passed during the 1999 session, required that appraised values be phased-in over four years. At the same time, a homestead exemption was created and phased-in for residential real estate, and a homestead exemption was phased-in for commercial real estate. In addition, the tax rates for residential and commercial real estate, agricultural and timberland are being phased-in. Agricultural land and timberland are valued on a productivity basis.

The revenue from the property tax depends on the underlying value of the property, legislated tax rates, as well as state and local mill levies. In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the local share of the oil and gas production tax (formerly the local government severance tax and net proceeds tax), coal gross proceeds taxes, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the university.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$170.971	\$169.339	\$169.339	\$176.690	\$174.347	\$174.297
Difference	-	(1.632)	(1.632)	-	(2.343)	(2.393)

* This table indicates the 1.5, 40, & 55 Mill revenue sources combined

Vehicle Tax

Revenue Description: Before January 1, 2001, light vehicles (including vans and sport utility vehicles) were taxed at 1.4 percent of the depreciated value of the manufacturer's suggested retail price (MSRP). In addition, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, and certain trailers, were taxed under a fee schedule which varies by age and weight.

Effective January 1, 2001, light vehicles are charged a registration fee as a result of the passage of Legislative Referendum (LR) 115 (HB540) by the electorate in November 2000. The fee is \$195 for light vehicles of age between zero and four years, \$65 for vehicles between five and ten years of age, and \$6 for vehicles over ten years old. LR 115 also lowers the registration fees charged on motorcycles and quadricycles. Under the law before LR 115, motorcycles were charged a fee based on four age categories and three engine size categories. Under LR 115 and beginning January 1, 2001, the number of age categories is reduced to three and the number of engine size categories remains the same.

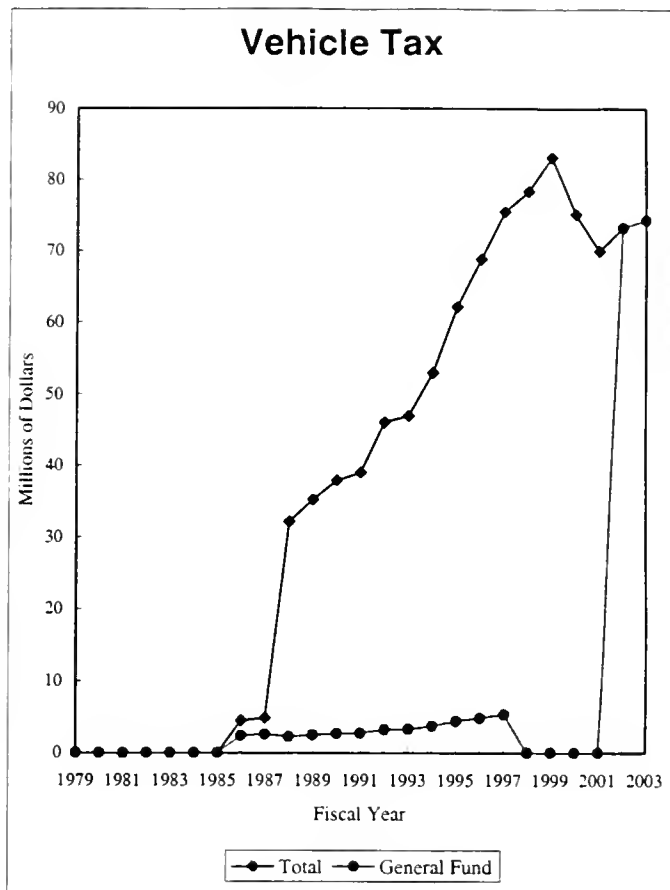
Applicable Tax Rate(s): Varies

Distribution: Before the enactment of House Bill 124 by the 2001 legislature, all registration fees from newly titled light vehicles were deposited into the highway restricted state special revenue account. Ten percent of registration fees collected on light vehicles was distributed to a state special revenue account to fund certain district court expenses. The remaining 90 percent of light vehicle registrations fees and fees in lieu of taxes for motorcycles and quadricycles were distributed in the relative proportions required by the levies for county, school district, and municipal purposes in the same manner as personal property taxes are distributed. No registration fee revenue from light vehicles and motorcycles and quadricycles was distributed to state mills, nor to the 9 mill welfare levy. The vo-tech levy (1.5 mills) continued to receive a share of this revenue. All other registration fees and fees in lieu of taxes (on large trucks, trailers, motor homes, campers etc.) were distributed in the relative proportions required by the levies for state, county, school district, and municipal purposes based on prior year mills. This revenue source represented one component used to calculate total non levy property tax revenue.

As the result of House Bill 124, all these fees are deposited into the state general fund beginning July1, 2001.

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	4.524027	2.409577	Not App.
A	1987	4.880792	2.608426	8.25%
A	1988	32.216414	2.255149	-13.54%
A	1989	35.306743	2.471472	9.59%
A	1990	38.024086	2.661686	7.70%
A	1991	39.102029	2.737142	2.83%
A	1992	46.095786	3.226705	17.89%
A	1993	46.976700	3.288369	1.91%
A	1994	52.908729	3.703611	12.63%
A	1995	62.029200	4.342044	17.24%
A	1996	68.641271	4.804889	10.66%
A	1997	75.330243	5.273117	9.74%
A	1998	78.210343	0.000000	-100.00%
A	1999	83.005171	0.000000	Not App.
A	2000	74.950871	0.000000	Not App.
A	2001	69.803308	0.000000	Not App.
A	2002	73.127000	73.127000	Not App.
F	2003	74.224000	74.224000	1.50%



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$77.319	\$73.127	\$73.127	\$77.291	\$74.224	\$74.224
Difference	-	(4.192)	(4.192)	-	(3.067)	(3.067)

Other General Fund Revenue

All Other Revenue
Highway Patrol Fines
Nursing Facilities Fee
Public Institution Reimbursements
Tobacco Settlement



Legislative Fiscal Division



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All Other Revenue

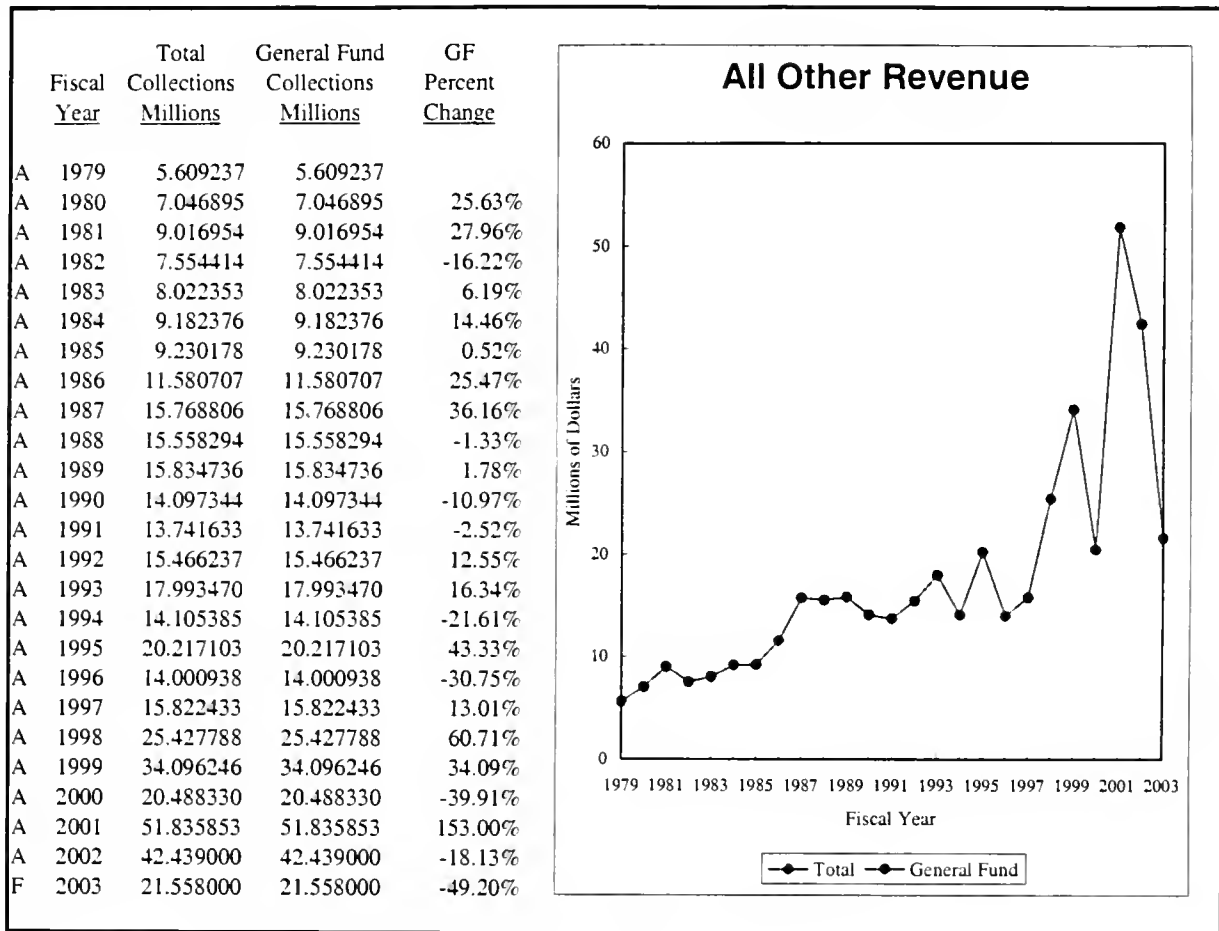
Revenue Description: There are a number of other taxes, fees, and fines that historically have generated less than \$2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making the comparison of tax years difficult.

“All Other Revenue” sources are estimated in aggregate except for the following: investment license transfers, land grant transfers, civil fines, gross vehicle weight fees, lodging facility use tax, Montana University System debt service deposits, deposits by state agencies for SABHRS debt service, and wildfire cost reimbursements.

Applicable Tax Rate(s): Various

Distribution: “All Other Revenue” is deposited in the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$32.715	\$42.439	\$42.439	\$22.634	\$20.358	\$21.558
Difference	-	9.724	9.724	-	(2.276)	(1.076)

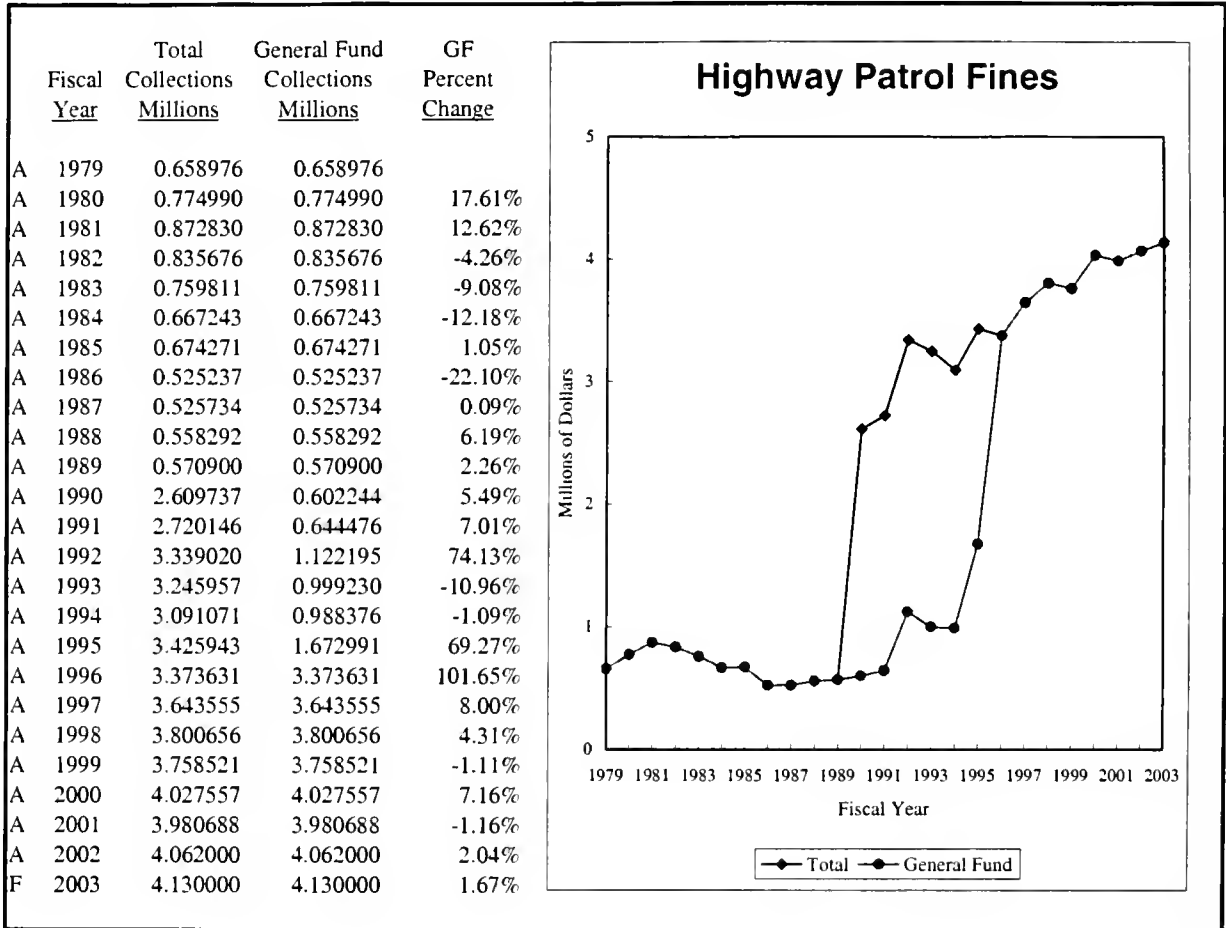
Highway Patrol Fines

Revenue Description: The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. Fines and forfeitures associated with these citations are collected by various state and local courts.

Applicable Tax Rate(s): N/A

Distribution: Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justice's court, are deposited in the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$4.191	\$4.062	\$4.062	\$4.262	\$4.087	\$4.130
Difference	-	(0.129)	(0.129)	-	(0.175)	(0.132)

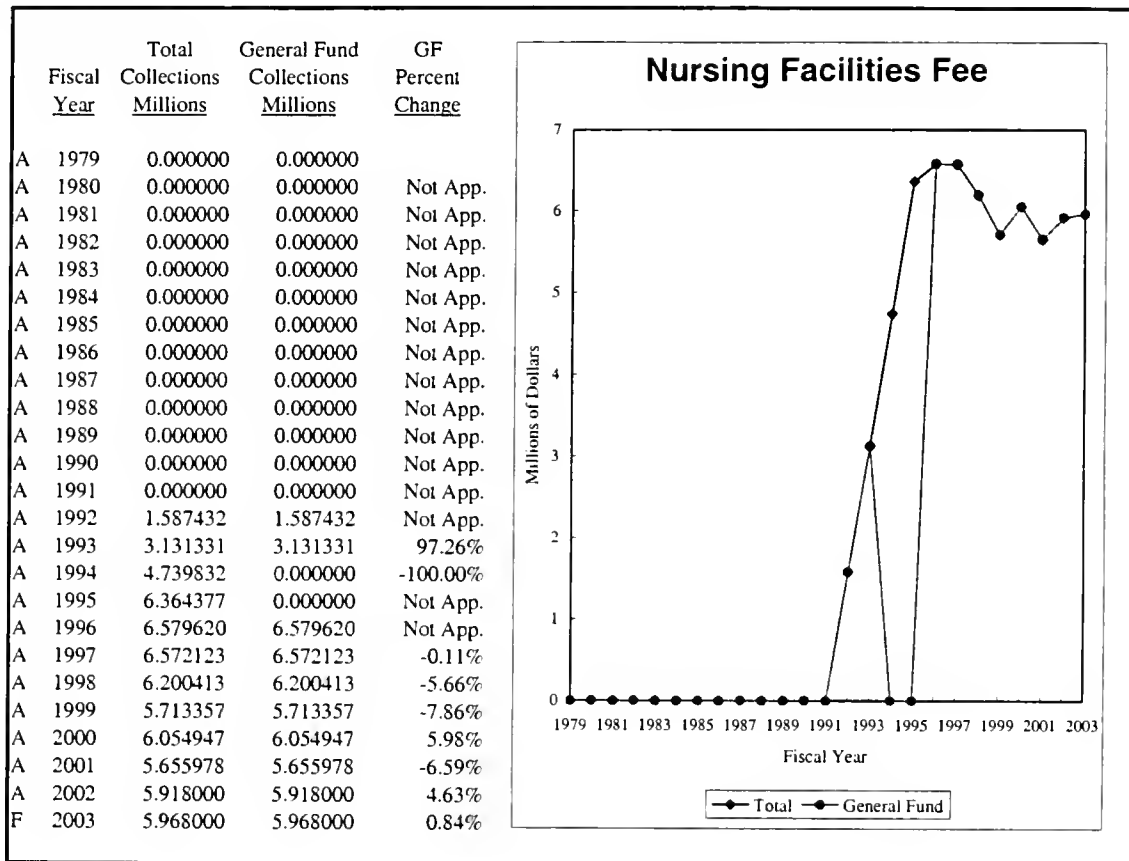
Nursing Facilities Fee

Revenue Description: Qualified nursing facilities are required to pay a utilization fee of \$2.80 per bed day. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

Applicable Tax Rate(s): \$2.80 per bed day

Distribution: All nursing facility fee revenue is deposited into the general fund.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$5.547	\$5.918	\$5.918	\$5.575	\$5.938	\$5.968
Difference	-	0.371	0.371	-	0.363	0.393

Public Institution Reimbursements

Revenue Description: The Department of Public Health and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center, Montana State Hospital (MSH), Eastern Montana Veterans' Home, Eastmont Human Services Center, Montana Chemical Dependency Treatment Center, and the Montana Veterans' Home. There are four sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

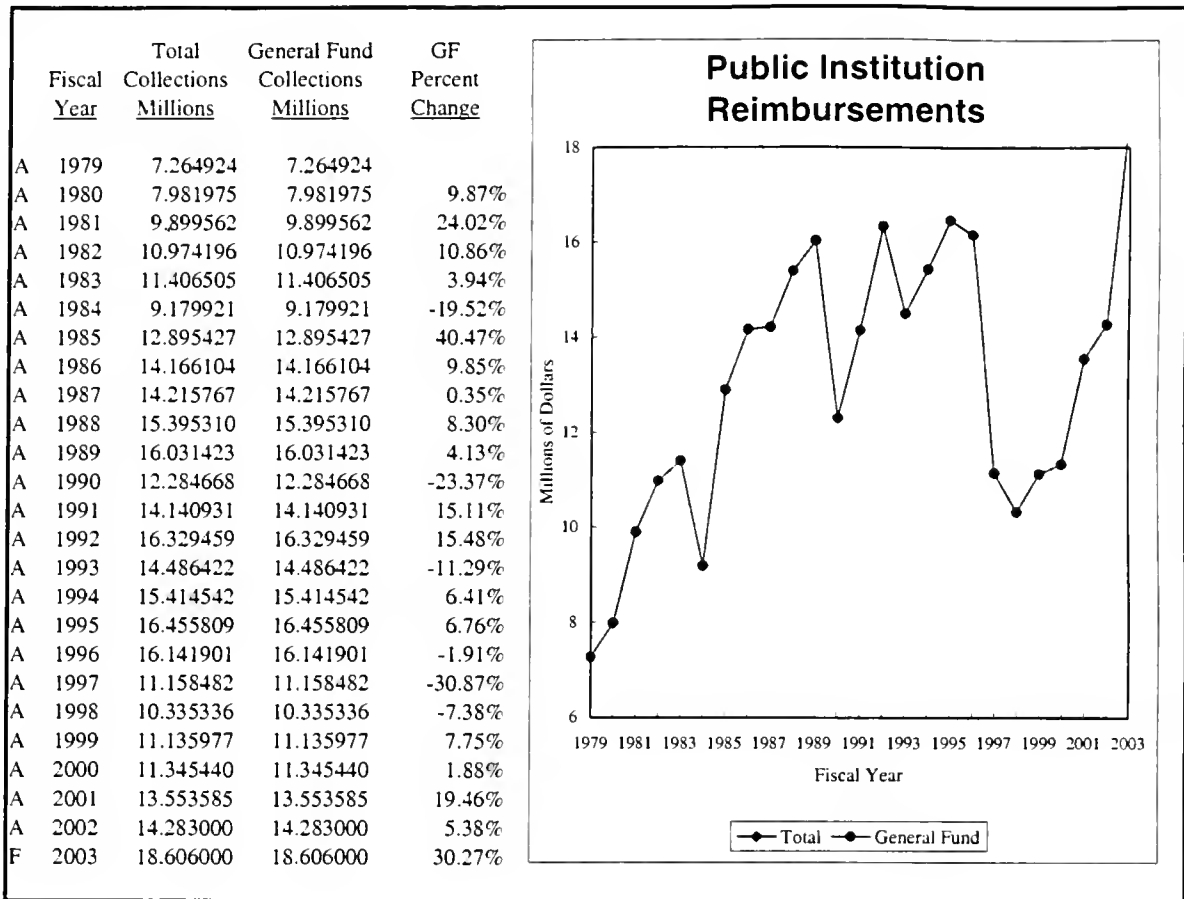
Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

Applicable Tax Rate(s): N/A

Distribution: Revenue collected from the above sources are deposited in the general fund with the following exceptions:

1. Reimbursements from MDC and MSH are first used to pay debt service on bonds issued to fund construction at these facilities. The remainder is deposited into the general fund.
2. Reimbursements received for the Veterans' Home and Montana Chemical Dependency Treatment Center are deposited into a state special revenue account and appropriated to the institutions.
3. Medicaid payments from the Montana Mental Health Nursing Care Center and MSH are deposited into the federal fund and appropriated for the mental health programs.

Revenue Projection:



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$12.521	\$14.283	\$14.283	\$12.932	\$14.932	\$18.606
Difference	-	1.762	1.762	-	2.000	5.674

Tobacco Settlement

Revenue Description: Montana receives revenue as a settling party to a Master Settlement Agreement with four original tobacco companies and 25 subsequent companies to end a four-year legal battle with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities).

Montana is eligible for four types of payments: 1) reimbursement for legal costs (received December 1999); 2) five initial payments (Two were received in fiscal 2000. One each year is expected in fiscal 2001, 2002, and 2003); 3) on-going annual payments; and 4) strategic contribution payments (from fiscal 2008 through 2017). The Master Settlement Agreement places no restrictions on how the money is to be spent.

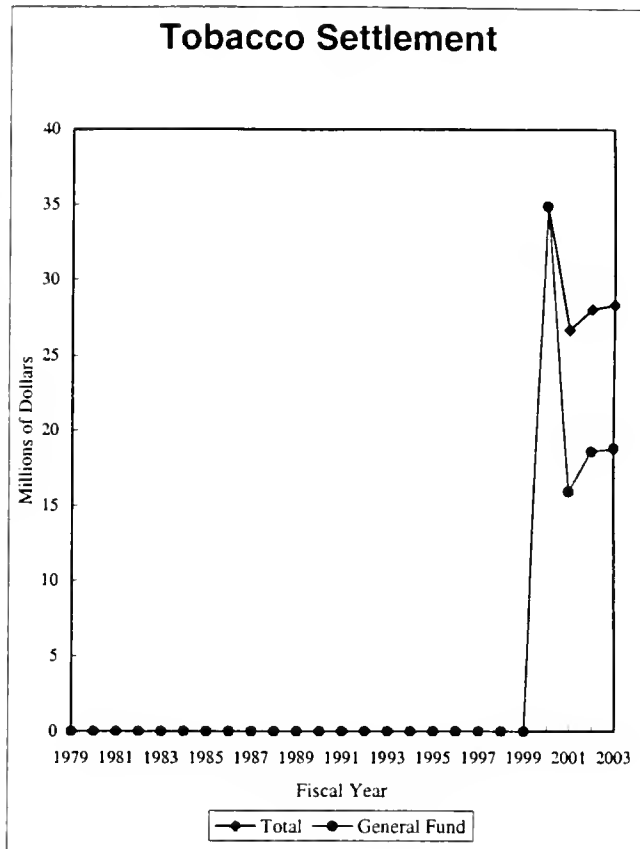
The total amount of tobacco settlement funds available to Montana may be affected by a number of adjustments. These include inflation, sales volume changes, operating income of the original four tobacco companies, number and operating income of subsequent participating manufactures, number of state reaching state specific finality, settlements reached by the four states not party to the agreement (Florida, Texas, Minnesota, and Mississippi), litigation offsets, and federal tobacco legislation offsets among others.

Applicable Tax Rate(s): NA

Distribution: Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent trust fund. The remainder of the money is deposited into the general fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent.

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1979	0.000000	0.000000	
A	1980	0.000000	0.000000	Not App.
A	1981	0.000000	0.000000	Not App.
A	1982	0.000000	0.000000	Not App.
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	0.000000	0.000000	Not App.
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	34.804411	34.804411	Not App.
A	2001	26.639851	15.989101	-54.06%
A	2002	27.970500	18.647000	16.62%
F	2003	28.281000	18.854000	1.11%



	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$18.925	\$18.647	\$18.647	\$19.147	\$18.916	\$18.854
Difference	-	(0.278)	(0.278)	-	(0.231)	(0.293)

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